ROXBY COUNCIL

ANNUAL BUSINESS PLAN AND BUDGET





2024-2025

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6 Richardson Place
Roxby Downs 5725

WWW.ROXBYDOWNS.SA.GOV.AU

ACKNOWLEDGEMENT OF COUNTRY

The Municipal Council of Roxby Downs would like to acknowledge the Kokatha peoples, the traditional owners of the land and pay respect to their Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people.

We have a responsibility to listen, learn and walk alongside Aboriginal and Torres Strait Islander peoples to enable our activities to support ongoing connection to their lands, waters, cultures, languages and traditions. We deeply respect and value Aboriginal and Torres Strait Islander custodianship of this land of 65,000 years and beyond.



OUR ASPIRATION, VALUES AND GUIDING PRINCIPLES

OUR ASPIRATION

Australia's most highly regarded mining town.

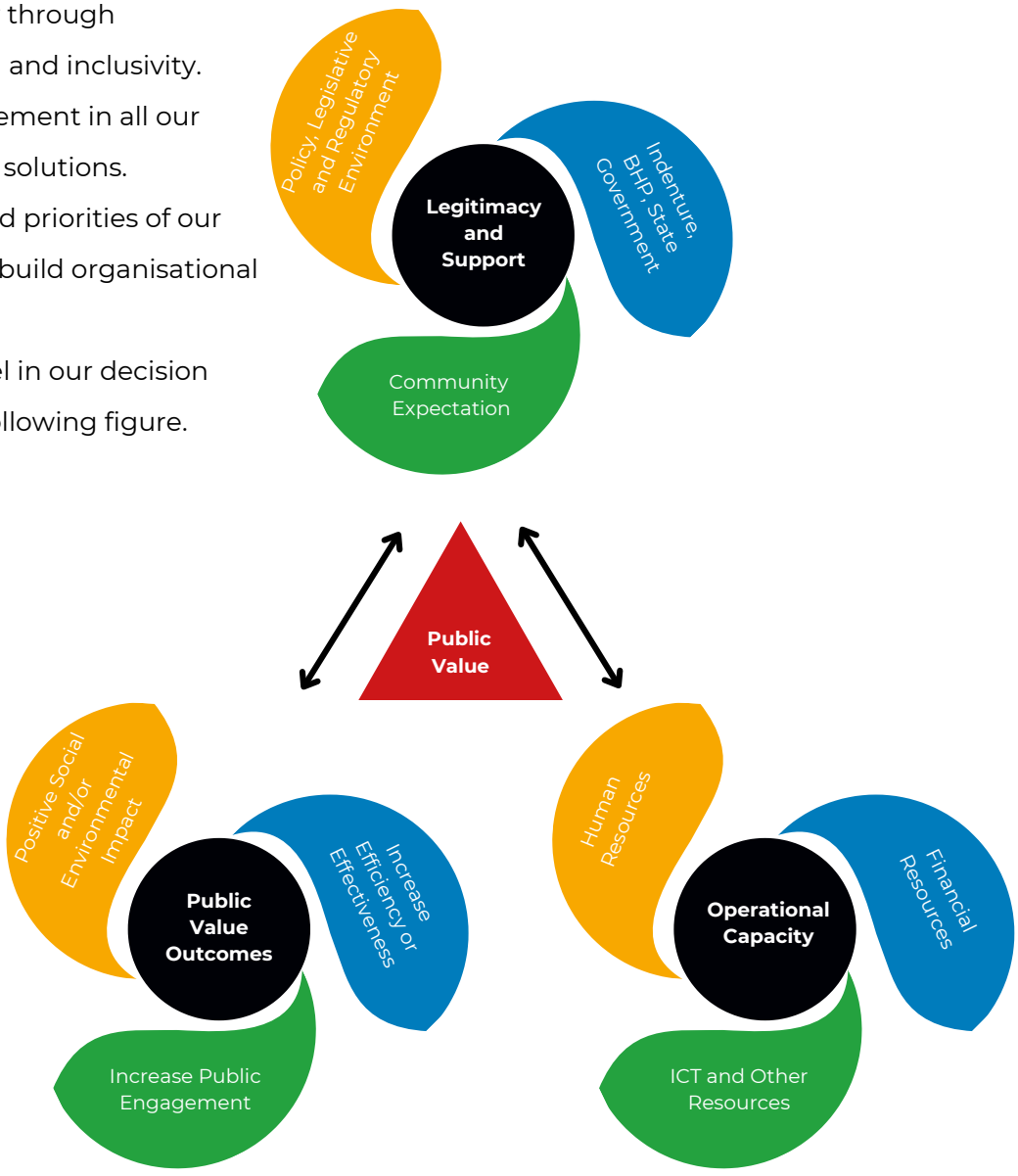
OUR PURPOSE

To work with the Community to plan, develop and create a township environment that is engaging, and enriches the lives of the Community.

OUR VALUES AND PRINCIPLES

As an organisation we:

- Act with integrity and take ownership of, and responsibility for our decisions.
- Treat everyone with fairness and respect. We value diversity and appreciate everyone's strengths.
- Take pride in delivering value to our community.
- Engage with our community through collaboration, understanding and inclusivity.
- Strive for continuous improvement in all our operations and seek creative solutions.
- Meet the changing needs and priorities of our community and continue to build organisational and community resilience.
- Adopt the public value model in our decision making, as depicted in the following figure.



Adapted from Mark Moore (1995) Creating Public Value: Strategic Management in Government

FROM THE ADMINISTRATOR

Our Annual Business Plan and Budget for 2024-2025 (the Plan) outlines how we plan to achieve our goals throughout the next financial year. These goals are linked directly to our Long-Term Financial Plan but also come from our other corporate strategic documents. Our priorities for this year will be refined through community consultation, which is to be held through 26 April to 17 May 2024. Feedback from the Community, State Government and BHP will be considered prior to adoption of the 2024-2025 budget by Council. Under the terms of the *Roxby Downs (Indenture Ratification) Act 1982*, Council is required to obtain the independent endorsement from both the State Government and BHP.

The Annual Business Plan and Budget 2024-2025 has been developed in an economic environment not seen in over a generation. The cost of living has escalated at a rate not seen for decades, placing additional pressure on households and business alike to make ends meet. The cost of delivering Council services is not exempt from the increased cost of living nor the cost of doing business, and has likewise increased markedly, most noticeably in construction, waste management, and the supply of materials for new projects and maintenance of existing infrastructure.

In light of the increase to the cost of living and cost of doing business, we aim to keep rates as low as possible, but are also looking forward to delivering projects that will bring much-needed upgrades to community facilities and infrastructure and improve the environmental sustainability of our Community.

As part of Council's long-term commitment to sustainability we propose to increase rates by 4.8%.
Last financial year Council also increased rates by 7.5% in line with Adelaide CPI of 7.8% for the year to March 31, 2023. An increase of 4.8% in both Roxby Power and Roxby Water charges are proposed within this budget.

In accordance with Section 153(3) of the *Local Government Act 1999, the maximum capping* will be reviewed once property valuations are received. Council's current methodology is to set the rate in the dollar to maintain an average rate increase approximately equal to the overall rate revenue increase from the previous year. The cap is intended to allow for any large outliers. Should the cap be set too close to the rate revenue increase properties of lower valuations increases will be captured.

Valuations from the Valuer General were received by Council on 14 June 2024. The differential and fixed amounts have been increased by 4.8%.

The rate-in-the dollar calculation has been adjusted ensure the increase is equitably spread across the different land use codes.

The Essential Services Commission of South Australia (ESCOSA) independently reviewed a number of South Australian Councils in 2023, including Roxby Council. Following a comprehensive investigation of a range of Council's Strategic Management Plans, ESCOSA *"finds the Municipal Council of Roxby Downs' current and projected financial performance sustainable taking into account the Council's forecast low expense growth increase over the next 10 years and the planned average rate increases..."*

ESCOSA also provided a number of recommendations for Council to consider in the upcoming 2024-2025 budget.

Below is a snapshot of ESCOSA's recommendations.*

- Ensure that the Council undertakes a review of its long-term financial plan each year as required by the *Local Government Act 1999*.
- Continue to follow the good practice of reviewing its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.
- Start to adopt CPI forecasts that align more closely with the RBA forecasts and the local government sector expectations.
- Start to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.
- Continue to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the Annual Business Plan.

**additional information on the advice received by ESCOSA is provided on page 26..*

The Plan will assist Council in preparing for the future of Roxby Downs, while protecting our environment, and creating a sustainable and inclusive community. It is our commitment to the community to look forward, and to deliver programs and initiatives so that you can feel safe in, proud of and ambitious for our wonderful community.

The statutory requirements of the *Local Government Act 1999* are met by Council within this Plan, which provides relevant information for our community. This publication is provided for our ratepayers, residents, business operators, visitors, government agencies and other interested people.

Geoff Whitbread
Administrator

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ANNUAL BUSINESS PLAN AND BUDGET 2024/2025 SNAPSHOT

The Annual Business Plan and Budget 2024–2025 sets out what we will deliver in the next financial year, and how it will be funded.

Our Strategic Plan guides Council's operational activities and priorities. This forward planning will position Roxby Downs to ensure sustainability and resilience are at the forefront of decision making.
To make the goals of our Strategic Plan a reality, our investment decisions are guided by the Long-Term Financial Plan and Infrastructure and Asset Management Plan. Both plans have been revised with particular emphasis on analysing Council's business units and understanding how they contribute to the overall organisation.

We will use this year's budget to deliver programs, services, and projects across the town. The Annual Business Plan and Budget provides the details of these programs, services and projects.

RATES INCREASE

Rates indexed at 4.8%. This alligns with the Adelaide Consumer Price Index (CPI) of 4.8% for the year to 31 December 2023.

PROJECTS AND MAINTENANCE

Focus on asset renewal and maintenance of our existing assets. Additional new projects have been suggested and will be reviewed for their benefit to the community.

PRUDENT BUDGET

Commitment to fiscal conservatism despite global financial challenges including inflation.
Any movement in expenditure has been aligned with known price increases and planned service delivery levels.

EFFECTIVE SERVICE DELIVERY

Continual monitoring of service delivery, including community programs and events, to improve the quality, efficiency, and benefit to the Community of these services.

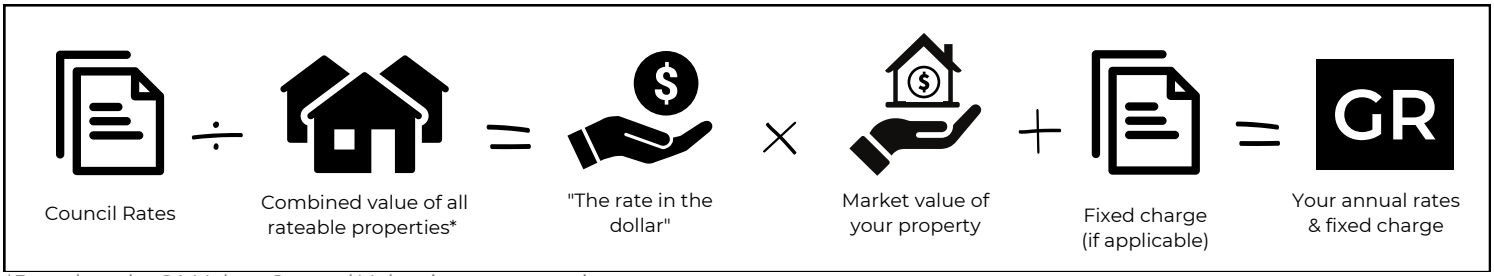
THIS YEAR'S BUDGET IS $20.7 MILLION

WHERE DOES THE MONEY COME FROM?
Council funds the budget through a mixture of rates, state and federal grants, user charges and other sources. See page 74 for more details.

HOW IS THE MONEY SPENT?
We prioritise services, programs and projects across our delivery areas. See pages 17 - 25 for more details.

HOW ARE THE RATES CALCULATED?
There is a formula based on property valuations that Council uses to calculate rates for households and businesses. See page 76 for more information.

How General Rates and charges are calculated



**Based on the SA Valuer General Valuation on properties.*

STRATEGIC DIRECTION

Roxby Council's Strategic Plan 2021 – 2025, Infrastructure and Asset Management Plan and Long-term Financial Plan outline the future objectives and priorities for the community. These plans, alongside the Annual Business Plan and Budget, determine the infrastructure priorities and the range of services Council will seek to provide in the Community.

The remote location of Roxby Downs in South Australia's outback, high level of transient population (an average 20% changeover per year is experienced) and interdependence with BHP's Olympic Dam operations mean there are many external influences outside of Council's control. Having a flexible plan that accommodates shifting priorities is critical for success.

In Roxby Downs we recognise that change is constant. As a result, Council has evolved into a flexible, responsive, and resilient organisation.

The community's unique demographic composition, with a high number of children and young people and low numbers of elderly citizens, means there is a corresponding focus on facilities and services for younger age groups. However, Council recognises the importance of addressing the needs of all people in our community and continues to develop appropriate programs and facilities that cater for all ages and interests..

Leadership and Governance

Communication

Economic Development





Environment and Sustainability

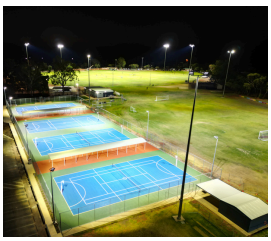


Community Vibrancy



Infrastructure and Essential Services

Community Development





Health and Wellbeing

FINANCIAL SUSTAINABILITY

A Council is financially sustainable where planned long-term services and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

FINANCIAL INDICATORS

Three ratios have been developed by the local government sector as a simple way of indicating the extent to which the Council is financially sustainable.

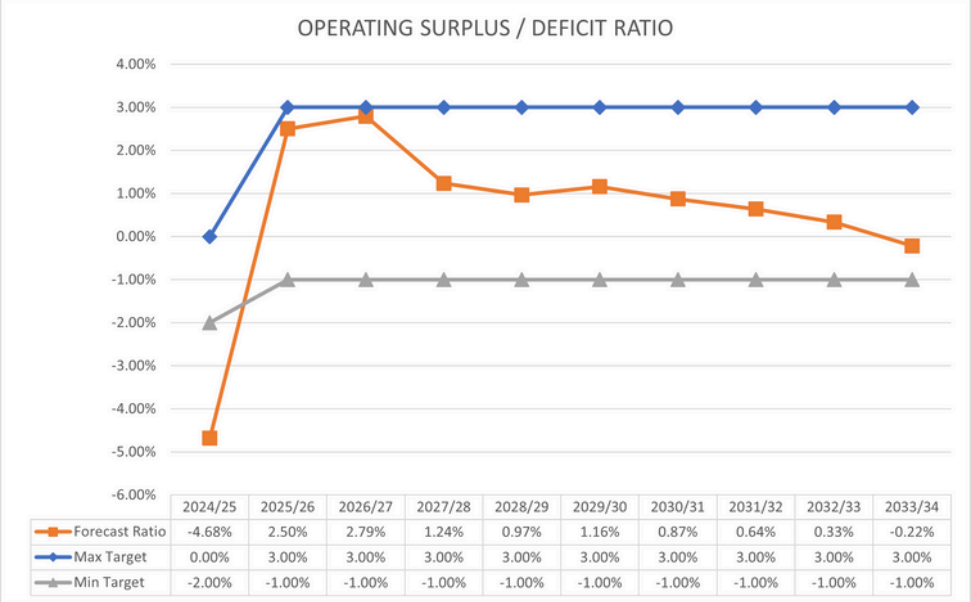
Council's Budget Management Policy determines the targets that should be achieved in the development of the ABP.

The three ratios are:

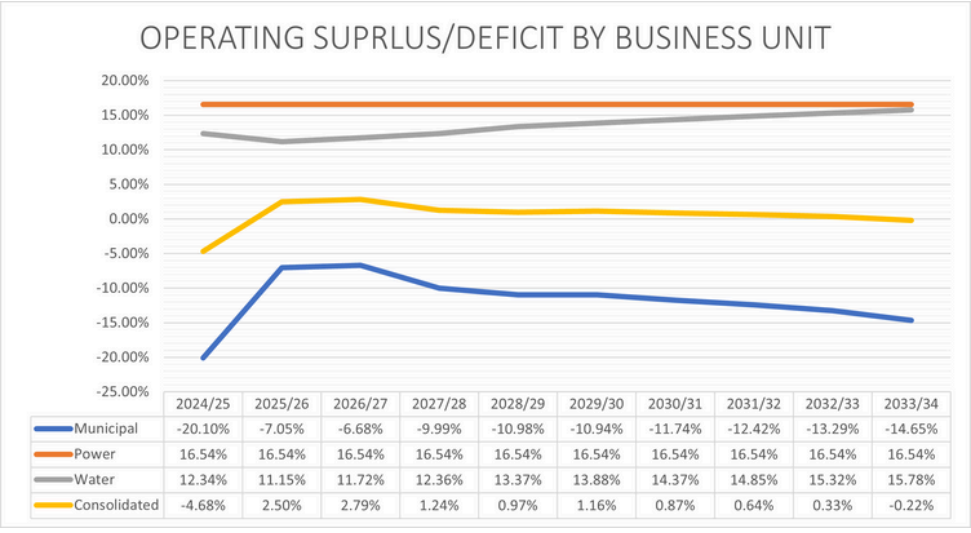
Operating Surplus/Deficit Ratio

A Council is financially sustainable if it achieves a positive ratio over time. The desired level is between 0% and 10% on average over the long term. A short-term operating deficit may be acceptable; however, it should not occur continuously over time. A zero result implies the current generation is paying for what it is receiving in service levels, a deficit that they are not paying enough, and a surplus that they are potentially paying too much.

With Council setting its rate increase at 4.8% it anticipates an operating surplus/deficit ratio of a -4.68%, due to the implementation of the new Enterprise Resource Planning (ERP) system planned for 24/25 and beyond and increases in depreciation due to revaluation and indexation applied in 22/23 financial year. The Council continues to hold no debt and adequate cash reserves.



	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Forecast Ratio	-4.68%	2.50%	2.79%	1.24%	0.97%	1.16%	0.87%	0.64%	0.33%	-0.22%
Max Target	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Min Target	-2.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%



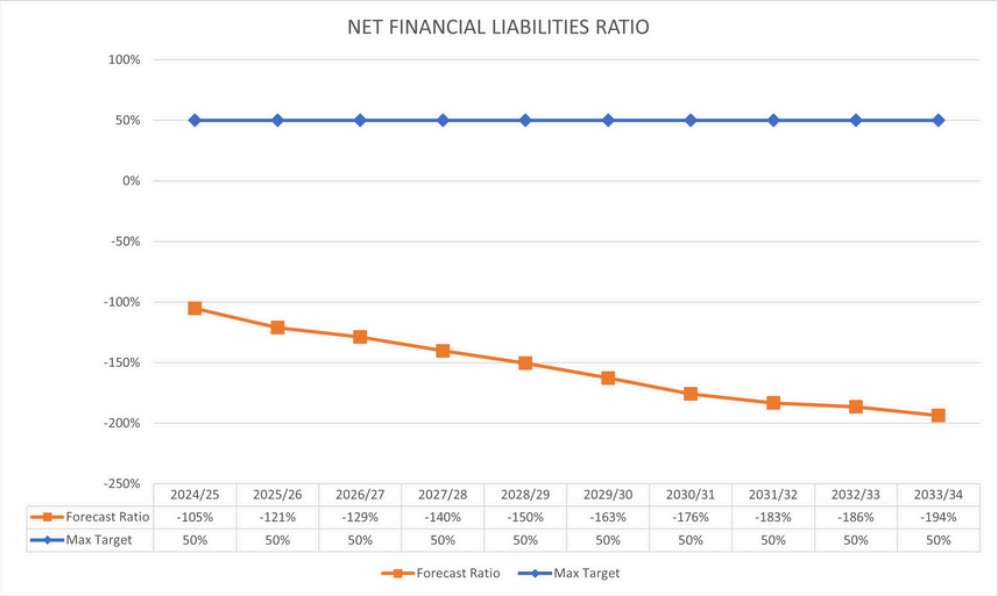
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Municipal	-20.10%	-7.05%	-6.68%	-9.99%	-10.98%	-10.94%	-11.74%	-12.42%	-13.29%	-14.65%
Power	16.54%	16.54%	16.54%	16.54%	16.54%	16.54%	16.54%	16.54%	16.54%	16.54%
Water	12.34%	11.15%	11.72%	12.36%	13.37%	13.88%	14.37%	14.85%	15.32%	15.78%
Consolidated	-4.68%	2.50%	2.79%	1.24%	0.97%	1.16%	0.87%	0.64%	0.33%	-0.22%

Net Financial Liabilities Ratio

This ratio indicates the extent to which the net financial liabilities of the Council can be met by its total operating revenue.

When the ratio is increasing, it indicates that a greater amount of a Council's operating revenue is required to service its financial obligations.

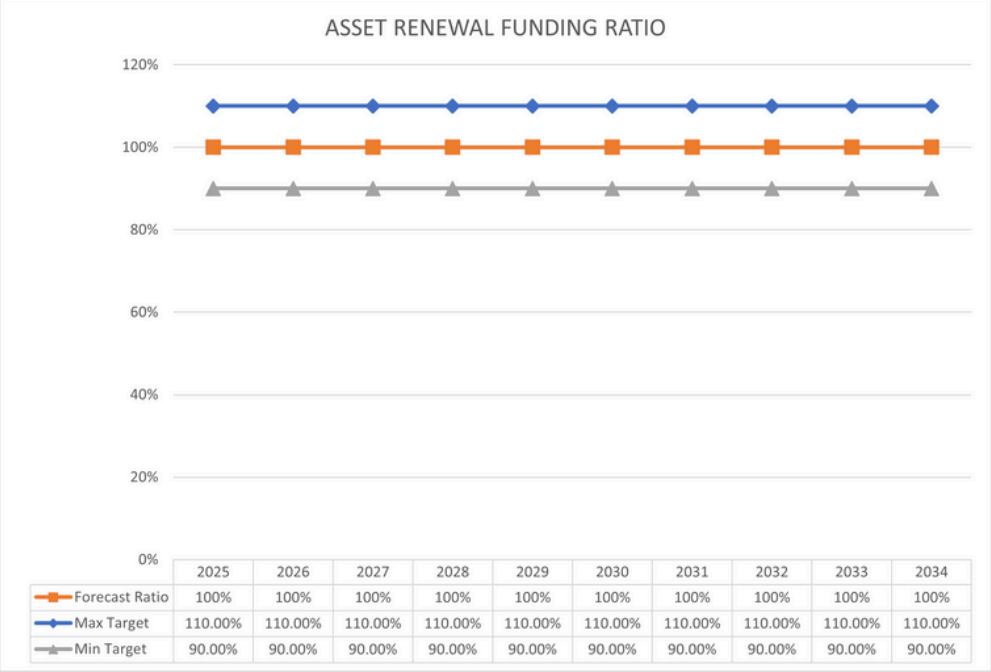
As Council continues to be debt free and have sufficient reserves to meet many of the future commitments on maintenance and capital expenditure projects, the Net Financial Liabilities Ratio reflects as a negative figure. For Roxby Downs this reflects good financial health.



	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Forecast Ratio	-105%	-121%	-129%	-140%	-150%	-163%	-176%	-183%	-186%	-194%
Max Target	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

Asset Renewal Funding Ratio

The desired level is greater than 90% but less than 110% on average over the long term. This ratio measures whether Council is renewing or replacing existing physical assets when needed to maintain service levels. It is calculated by measuring actual capital expenditure on renewal or replacement of assets, relative to Council's Infrastructure and Asset Management Plan.



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Forecast Ratio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Max Target	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%
Min Target	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%

Following the adoption of Council's Infrastructure Asset Management Plan asset renewal ratio is 100% for the upcoming budget.

WHAT WE DO



40km
of sealed roads
- 75km Kerbing
- 25km Footpaths

We support the maintenance and development of the Roxby Downs Community Garden



We maintain:
- 6 Playgrounds
- 1 Splash pad
- 1 Skate Park
- 2 Ovals
- 2 Pools
- 1 Pump Track





We collect
3,000kg
of general waste per day



75km
of low/high voltage cables and 776 street and footpath lights

In 2023/2024 there were
20,276
Library Visits



Our Community Programs see approximately
8,600
visitors throught the year





Infrastructure we maintain:
- 67km potable water supply
- Town pump station
- 6 inline pumps
- 678 isolation valves
- 1,715 water meters

WHO WE ARE



13.2%
of Roxby residents are born overseas

58.1%
of Roxby residents are under 35 years of age



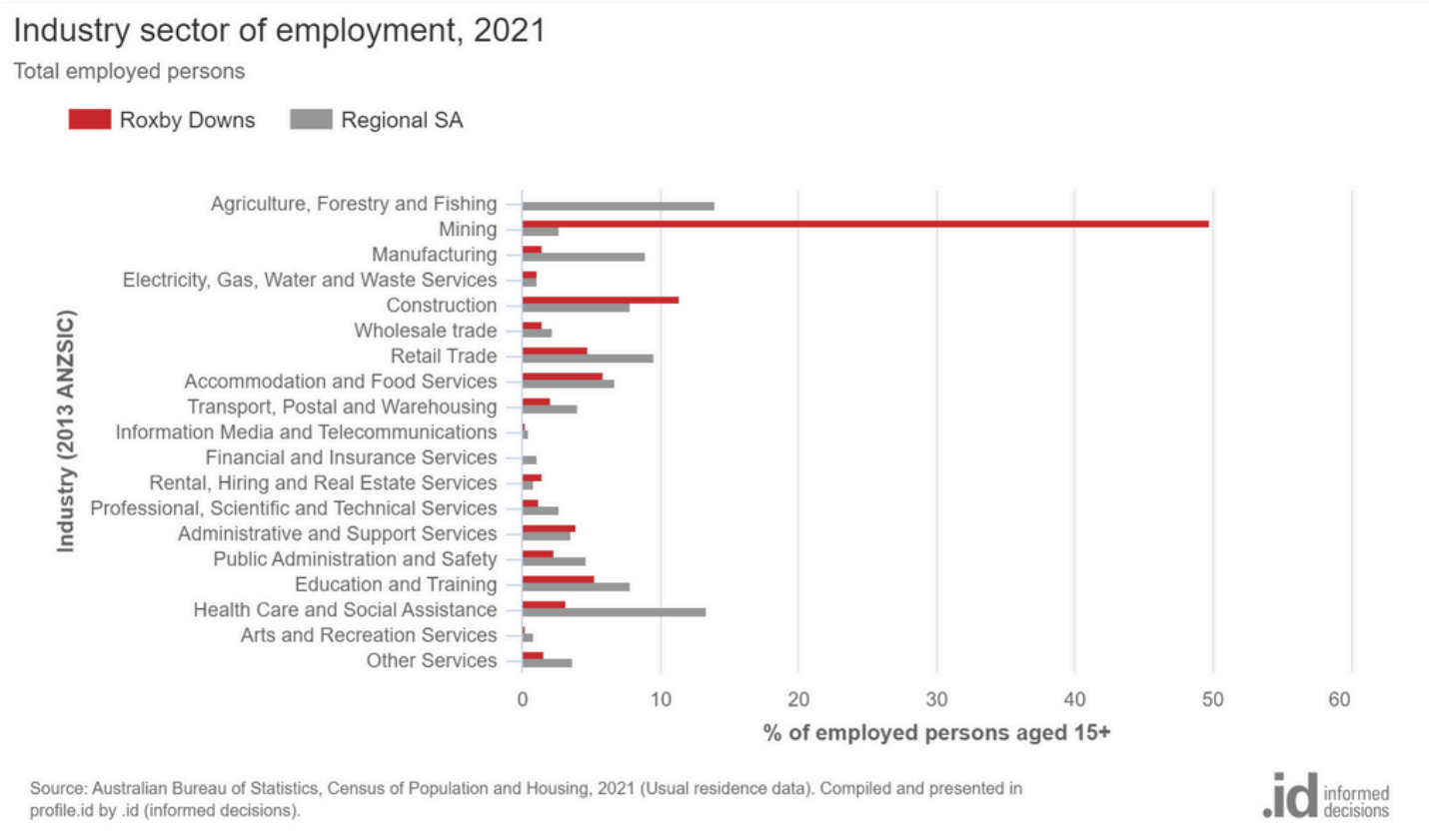
We are predominantly English speaking with
8.7%
speaking other languages





49.8%
of Roxby residents work in the Mining Industry

We have over
50
community groups, sporting clubs, forums and volunteer networks



Source: Australian Bureau of Statistics and https://profile.id.com.au

MAJOR PROJECT STATEMENT

With several large projects undertaken over previous years, 2024/25 will see a reduction in the number of new projects being undertaken. It also consolidates Council's position of concentrating on asset renewal rather than construction of new assets which Council will need to maintain and renew into the future.

ROXBY RECYCLED WATER OPTIMISATION

Roxby Council and BHP have been collaborating on practical measures to reduce the offtake of potable water to the township. This project will produce sustainable environmental improvements by lessening demand from amenity horticulture in Roxby Downs for the processing and supply of treated potable water for irrigation. This water will be used to replace potable water currently deployed for irrigation of grassed areas and landscaping zones within the town centre. Potential areas to initially benefit from this practice would include the town ovals.

Water is a precious resource and is critical to Olympic Dam production. The project will ensure that there are no public health risks created through the use of this water in public open spaces, and that there is no reduction in amenity through the presence of effluent odours. Any water savings will be of direct benefit to the environment, Roxby Downs and Olympic Dam.

Judicious use of the treated wastewater through the use of contemporary irrigation practice including remote sensing and telemetry of real time ground conditions will result in more effective and more efficient application of water by better matching environmental conditions to available water resources. Long term, the reduction in the demand from amenity horticulture will result in cost savings to the Council, through not having to purchase potable water.

KEY ACTIVITIES BY DEPARTMENT

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Roxby Downs Golf Course



CONTEXT AND OPPORTUNITIES

INDENTURE AGREEMENT

Roxby Council operates under the powers of the Roxby Downs (Indenture Ratification) Act 1982 and the Local Government Act, as determined by the State Parliament of South Australia. The provisions of the Indenture Act determine the financial parameters of the Council, with provisions to exclusively reticulate and retail power and water within Roxby Downs, in additional to traditional local government property rating capacity. As part of these requirements the Council is also required to provide the Annual Business Plan and Budget to the State Government and BHP for their respective endorsement prior to Council considering the Plan for adoption.

Currently the State Government and BHP each contribute funding of $300,000 per annum towards the cost of providing municipal services to Roxby Downs.

OLYMPIC DAM OPERATION

BHP announced the completion of the OZ Minerals acquisition.

In bringing together the BHP and OZ Minerals businesses, BHP will focus on safe and reliable operation of the Olympic Dam, Prominent Hill and Carrapateena assets, building a shared culture of innovation and performance, and progressing sustainable growth options to establish a copper province in South Australia.

SOURCE: https://www.bhp.com/news/media-centre/releases/2023/05/completion-of-oz-minerals-acquisition



LOCAL COST FACTORS

Costs associated with major works and projects in Roxby Downs are significantly higher than most other Councils in South Australia. This is due to the remoteness of the location, higher labour costs, transport expenses, intensity of works and competing for resources with the Olympic Dam operation (such as local contractors). This is reflected in the budget for any expenditure items requiring external resources.

CONSUMER PRICE INDEX

The Consumer Price Index (CPI) measures changes in the price of goods and services which account for a high proportion of expenditure by metropolitan households.

The annual Adelaide CPI to December 2023 reached 4.8%, (the comparable increase in 2022 reached 7.9%).

INDUSTRIAL

Council's employees are covered by the Municipal Council of Roxby Downs Enterprise Agreement 2020. This document prescribes employments terms, conditions and pay rates. The agreement is currently being reviewed through an enterprise-wide bargaining process.

INFRASTRUCTURE AND ASSET MANAGEMENT PLAN (IAMP) 2025-2034

Council's Infrastructure and Asset Management Plan provides the strategy to manage, renew and replace its very significant asset base, valued at almost $207 million. The Plan identifies Council's current asset base, considers current and desired levels of service and provides financial projections for the management of its assets for a ten-year period. The capital costs identified by the Plan are provided in the Capital Works Program, reflected in the Long-Term Financial Plan and then in turn, the Annual Business Plan and Annual Budget.

Infrastructure and Asset Management Planning

This plan is prepared as a core level maturity which means we use a top-down approach with analysis applied at a network level to determine how we maintain current levels of services, determine our forward replacement programs, and calculate the associated cash flow projections.

Council needs to spend an average of $1.5m each year over the next 10 years on asset renewal and $1.9m on maintenance and operating to ensure its infrastructure is maintained to current service levels.

LONG TERM FINANCIAL PLAN (LTFP) 2025-2034

Council has prepared a new LTFP for the period 2025-2034.

Roxby Council operates under the powers of the *Roxby Downs (Indenture Ratification) Act 1982* and the *Local Government Act 1999*. The provisions of the Indenture Act determine the financial parameters of the Council, with provisions to exclusively reticulate and retail power and water within Roxby Downs, in addition to traditional local government property rating capacity.

Currently the State Government and BHP each contribute funding of $300,000 per annum towards the cost of providing municipal services to Roxby Downs. Roxby Water also pays a dividend to the Municipal Unit of Council of $1.05m annually.

In 2024/25 significant input has gone into analysing the costs associated with each of the Council's business units (Roxby Power, Roxby Water, Roxby Link and Municipal services) to ensure the correct pricing structure that is equitable for each service provider as well as understanding how each contributes to the consolidated operating result of the Council.

The Water and Power businesses continue to operate at a surplus, supporting the Municipal operating deficit. The budgeted depreciation for 2024/25 for the Municipal business unit is $1,953,015.



OUR SERVICES, PROJECTS AND PROGRAMS

Roxby Council delivers a wide range of services to the community. The scope of the Annual Business Plan & Budget turns our Strategic Management Plan, Infrastructure and Asset Management Plan and Long-term Financial Plans into action, making sure that Council delivers essential programs and services to Roxby Downs.

The following pages present our organisational departments and the services provided under each department. Each service category shows the key capital projects planned for the financial year. Council's operations are governed by the *Roxby Downs (Indenture Ratification) Act 1982* and the *Local Government Act 1999*.

Additional statutory and regulatory responsibilities arise from several other Acts of the South Australian State Parliament, including the *Dog and Cat Management Act 1995, South Australian Public Health Act 2011, Local Nuisance and Litter Control Act 2016, Environmental Protection Act 1993* and *Planning, Development, and Infrastructure Act 2016*.

The provision of mandatory and discretionary programs and services is influenced by these pieces of legislation, as well as local community needs and priorities.



OUR DEPARTMENTS

Executive

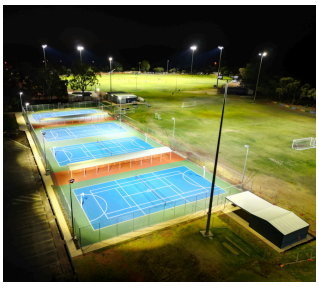






Lifestyle, Sport and Community





Essential Services and Assets



ESSENTIAL SERVICES AND ASSETS

The Essential Services & Assets group operates and maintains a wide range of infrastructure and other community assets and services.

Council manages $100 Million in community assets *(excludes Roxby Power and Roxby Water assets)*

Maintenance and upgrading of Council infrastructure:



- Council buildings
- Environmental initiatives
- Footpaths
- Ovals
- Parks and gardens
- Playgrounds
- Public open spaces
- Street lighting
- Stormwater drainage
- Roads
- Treated wastewater for irrigation



Provision of Municipal Services:

- Quarterly street cleaning, weekly rubbish collection and recycling
- Regulatory activities including development planning and control, building and fire safety assessment, and dog and cat management.
- Environmental health services including health standards inspections.
- Local service centre for Service SA transactions.
- Protection of natural resources.





ESSENTIAL SERVICES & ASSETS

2024/25 KEY ACTIVITIES

		Amount FY 24/25 $'000	Carried Forward FY 23/24 $'000
ENVIRONMENTAL INITIATIVES	Horticulture Plan Stage 1	20	
	Streetscaping Irrigation Maintenance Horticulture Plan	10	
PARKS/PLAY SPACES	Open Space Renewal	8	
STORMWATER	Headwall confined spaces guards	194	
WASTE FACILITY	Opal Road Storage	25	
	Wash Down Bay	60	
COMMUNITY LIBRARY	Storage Upgrade	20	
FOOTPATHS	Footpath Renewal	90	



ROXBY WATER

Council manages a water network of 37.8km, 678 nodes and 1,715 water meters for both residential and commercial customers.

Water for the Roxby Downs township is extracted from the Great Artesian Basin and piped to the Olympic Dam mine site by BHP where it is treated (desalinated and chlorinated). The treated potable water is pumped by BHP to water storage tanks.

The main elements of the water distribution network are a Town Water Supply (TWS) Pump Station located on Olympic Way, and 37.8km of potable water mains, a staging tank and a pumping station used for watering the public ovals.



ROXBY WATER

The combined value of Roxby Water Assets is $25 Million

ROXBY WATER

2024/25 KEY ACTIVITIES

		Amount FY 24/25 $'000	Carried Forward FY 23/24 $'000
WASTEWATER	Sewer Reclaimed Water Opimisation	300	
	Sewer Pump & Check Valve Replacement Program	120	
TOWN WATER	Town Water Supply Fuel Tank	10	
	Water Nodes and Valve Replacement	47	
	Plant & Equipment	112	

ROXBY POWER

Council manages a power network of 75.2km of mainly underground low/high voltage cables, 38 transformers, three generators and 2,331 commercial and private meters, 776 street & path lights, 205 section pillars, 715 service pillars with a combined asset value of $51M.

The Roxby Power network delivers commercial and domestic power to all premises in Roxby Downs.

The network also accounts for the 776 street and pathway lights in town.

Roxby Power is responsible for the maintenance of the power grid, power meters, streetlights, and other asset replacement within the network.

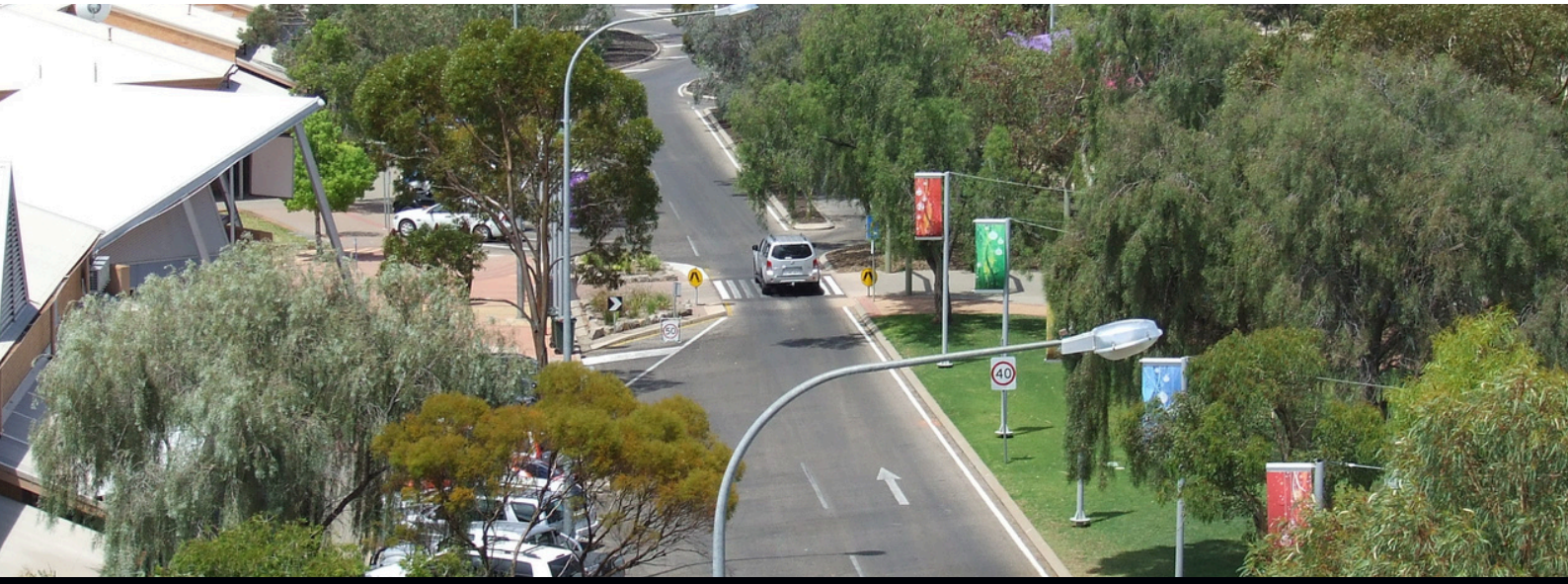


The combined value of Roxby Power Assets is $51 Million

ROXBY POWER

ROXBY POWER
2024/25 KEY ACTIVITIES

		Amount FY 24/25 $'000	Carried Forward FY 23/24 $'000
TRANSORMERS	Service Pillar Replacement	1	



LIFESTYLE, SPORT AND COMMUNITY

Community Library

During the 2023/2024 financial year the Roxby Community Library welcomed an estimated 20,276 patrons to the library space, compared to 16,512 throughout 2022/2023.

A breakdown of attendees/users by programs:

- 1,823 Toddler Storytime
- 1,264 Lego Club
- 403 Baby Bounce
- 753 Crafternoon
  (a free program designed for children of all ages to explore their creative and crafty side)
- 578 Leap
- 3,355 Author talk/event/ other program
- 472 public computer/internet users; and
- 993 Princh users
  (public library printing software)
- 81 ipad users

This is an increase of 2,004 visits compared to 2023/2024.

The library currently has 1,091 active members, which is a increase of 30, when compared to March 2023; this includes 188 new member registrations.

Community Development

Council works in collaboration with the Roxby Downs Community Board and Forums as well as BHP to provide a range of activities that support community life. Council's role varies from being the lead agent (e.g. initiator, event or project manager) to that of facilitator or supporter. Community development strategies focus on the Roxby Downs Community Board which is a platform for local community members to develop personal skills in leadership, in community advocacy and in collective action.



Aquatics

In 2023/2024 financial year there was an increase in casual visits of 6,446 compared to 6,344 in 23/24; overall there was an increase in visits. In 23/24 there were 190 memberships sold compared to 192 in 22/23.

The Splashpad is in its fourth year of offering a play space for preschool aged children between 9am and 1pm Monday to Friday in the summer season which provides an opportunity for young children to utilise the facility before the main heat of the day.

Pool & Splashpad opening times are dependent on weather conditions and are seasonal.

During the summer months, the outdoor pool and splashpad provide the perfect venue for families when planning birthday parties or a casual BBQ with friends. These facilities provide much needed relief for children after school to socialize and cool off in a supervised environment.

Swim School

The Roxby Link Swim School program caters for children aged six months up to adult, with most participants being in the three to seven-year age range.

Swim school enrolments were down to 496 participants across 2023/24 compared with 697 throughout 2022/23.
This has been attributed to the following:

- shortage of qualified Swim School instructors, which meant Council were unable to offer as many classes across as many days; and
- indoor pool being closed for several months due to project work being completed swim school did not run in term 3 and term 4.



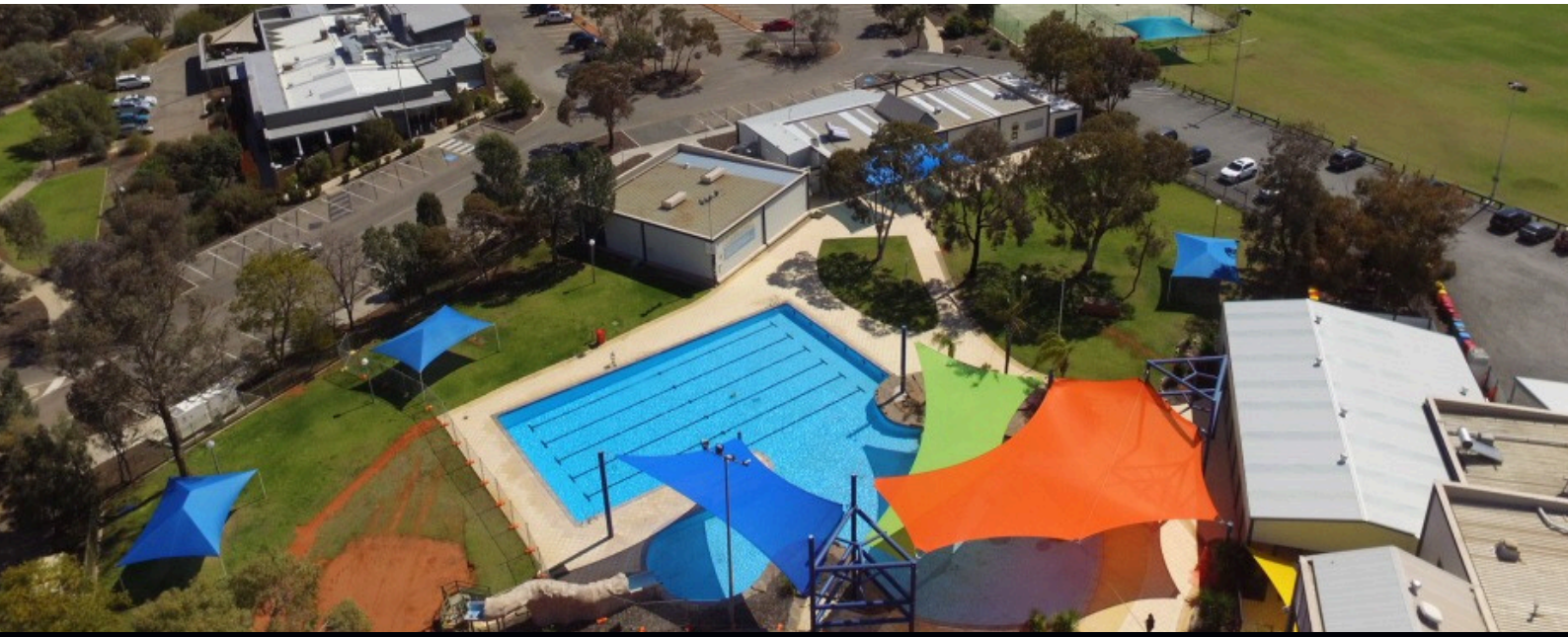
Pulse Fitness Gym

As a cost saving measure the budget proposes that the Pulse Fitness gym service will be discontinued from July 2024. This position has been reached on the back of declining usage, with new gyms operating in the town and measuring costs.

In response to budget community consultations and the feedback to the proposed closure of the Pulse Fitness Centre, Council proposes to establish as an alternative service a micro – gym in the former group fitness room. The micro-gym would be established for an initial 12 month trial. An assessment on performance and results will be conducted at the end of Q3 2025. Hours of operation will be aligned with Roxby Link facilities. The micro gym will be accessed via an individual user agreement and swipe card security. Gym access fees will increase by 10% to be closer aligned with general market conditions. The access fees will also cover use of the creche at no additional cost.

LIFESTYLE, SPORT AND COMMUNITY 2024/25 KEY ACTIVITIES

		Amount FY 24/25 $'000	Carried Forward FY 23/24 $'000
AQUATICS	Pool Slide Engineering / Concept	10	
	Indoor Pool Change Rooms	150	
ROXBY LINK OFFICE	Admin Carpets	20	
	Function Chairs & Equipment	34	
CINEMA	Chairs & Flooring	140	



EXECUTIVE

The Executive group supports the operation of Council by providing services that enable the work of our customer-facing teams.

The Executive group also provides financial management and accounting services to the Roxby Downs Community Board as well as Longer-term Strategic Management Plans for Roxby Downs.

COMMUNICATIONS AND INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

- Engagement, grants and events
- Marketing and communication
- Business operating systems
- Information and Communications Technology reform
- Technology support

CORPORATE SERVICES

- Customer Service
- EZY Reg and Service SA enquiries
- Employee/industrial relations
- Recruitment
- Training and development
- Management of Council records
- Work health and safety

FINANCE AND GOVERNANCE

- Financial accounting and strategy
- Maintaining property ownership database
- Preparation of annual budgets
- Provision of Roxby Power and Roxby Water accounts to town residences
- Revenue collection for municipal rates
- Internal payroll systems
- Agendas, minutes and publications, civic event planning and coordination
- Legislative compliance, emergency management, risk management and internal audit, insurance, policy, legal reporting and advice



ROXBY COUNCIL

EXECUTIVE

2024/25 KEY ACTIVITIES

		Amount FY 24/25 $'000	Carried Forward FY 23/24 $'000
COUNCIL BUILDING	Building Security System	86	
COMMUNICATIONS / INFORMATION TECHNOLOGY	Annual Computer Refresh	40	
	Smart Whiteboard	10	
	Enterprise Resource Planning System (ERP)	1,245	
CORPORATE SERVICES	Referbishment of Administration Toilets	250	

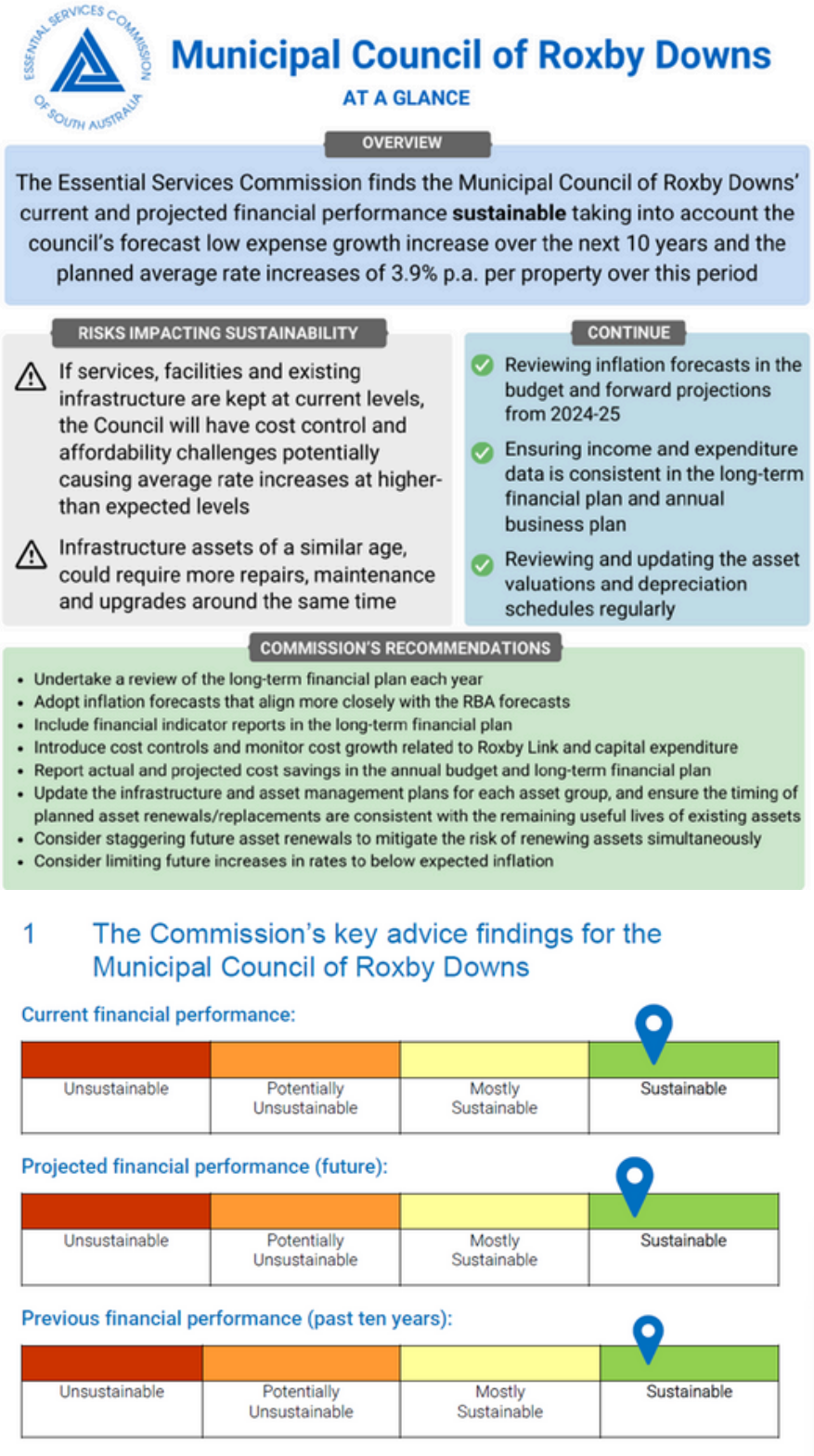
Cultural Respect and Kokatha History Training - April 2024. | Presented by Kuddiya Cultural Respect and Aboriginal Engagement Consultants Roger & Khatija Thomas



LOCAL GOVERNMENT ADVICE SCHEME 2023-24 - ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA (ESCOSA)

Council recently received advice from the Essential Services Commission of South Australia (ESCOSA) following a comprehensive investigation of a range of Council's Strategic Management Plans.

Thank you to all who have been involved in conducting and responding to the ESCOSA review process for Roxby Downs. ESCOSA representatives attended Roxby Downs in the course of the review and we were able to show the group first hand, key features of the Council operations and discuss on site the special challenges faced by Roxby Downs. The ESCOSA representatives that worked with Roxby Downs conducted the review in a thorough and courteous manner. The discussions held with ESCOSA were also conducted in a positive and engaging manner.



Municipal Council of Roxby Downs

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the Municipal Council of Roxby Downs' current and projected financial performance **sustainable** taking into account the council's forecast low expense growth increase over the next 10 years and the planned average rate increases of 3.9% p.a. per property over this period

RISKS IMPACTING SUSTAINABILITY

- If services, facilities and existing infrastructure are kept at current levels, the Council will have cost control and affordability challenges potentially causing average rate increases at higher-than expected levels
- Infrastructure assets of a similar age, could require more repairs, maintenance and upgrades around the same time

CONTINUE

- Reviewing inflation forecasts in the budget and forward projections from 2024-25
- Ensuring income and expenditure data is consistent in the long-term financial plan and annual business plan
- Reviewing and updating the asset valuations and depreciation schedules regularly

COMMISSION'S RECOMMENDATIONS

- Undertake a review of the long-term financial plan each year
- Adopt inflation forecasts that align more closely with the RBA forecasts
- Include financial indicator reports in the long-term financial plan
- Introduce cost controls and monitor cost growth related to Roxby Link and capital expenditure
- Report actual and projected cost savings in the annual budget and long-term financial plan
- Update the infrastructure and asset management plans for each asset group, and ensure the timing of planned asset renewals/replacements are consistent with the remaining useful lives of existing assets
- Consider staggering future asset renewals to mitigate the risk of renewing assets simultaneously
- Consider limiting future increases in rates to below expected inflation

1 The Commission's key advice findings for the Municipal Council of Roxby Downs

Current financial performance:

Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Projected financial performance (future):

Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Previous financial performance (past ten years):

Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

The Commission has recommended the following key considerations for Council to consider:

BUDGET CONSIDERATIONS

	ESCOSA Recommendation	Council Response
1	Ensure that the Council undertakes a review of its long-term financial plan each year as required by the Local Government Act 1999.	Council have initiated procedures and timetables as detailed in its Internal Control Manual that will ensure that a review of its long-term financial plan is undertaken each year as required by the Local Government Act.
2	Continue to follow the good practice of reviewing its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.	Council will continue to monitor its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.
3	Start to adopt CPI forecasts that align more closely with the RBA forecasts and the local government sector expectations.	The Council has used the RBA Forecast table - February 2023 in its financial modelling, and adopted a long-term average CPI increase of 3.0 percent for June 2025 through June 2033, whereas the Commission has based its analysis upon the midrange of the RBA long-term target at 2.5 percent for June 2026. 2.5 percent is the figure released by the RBA in February 2024. Council will continue to adopt CPI forecasts that align with the RBA forecasts and the local government sector expectations.
4	Start to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.	Council had inadvertently included financial indicator reports in the ABP not in the LTFP and will start to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.
5	Continue to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the Annual Business Plan.	Continue to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the Annual Business Plan.

Providing Evidence of Ongoing Cost Efficiencies

6	Start to introduce cost controls and to monitor the growth in costs where possible, especially those related to Roxby Link1 and capital expenditure.	Significant services reviews are being undertaken in Roxby Link to ensure value for money services are provided and costs are contained where possible. New capital expenditure needs to be costed effectively to ensure that the Council can afford to renew and maintain such assets regardless of the grant funding received to fund new capital expenditure.
7	Start to follow the good practice of reporting any actual and projected cost savings in its annual budget and long-term financial plan as appropriate to provide evidence of containing the growth in expenses and achieving efficiencies across its operations. ear, given the potential for changes in inflationary expectations over the forecast period.	Projected cost savings in its annual budget and long-term financial plan are often difficult to achieve in the Roxby environment as Council relies on external contractors to provide services. Council may need to look at reducing service levels in an endeavour to contain the growth in expenses and achieving efficiencies across its operations.

Refinements To Asset Management Planning

8	Continue to review and update its asset valuations and depreciation schedules regularly to achieve best practice by ensuring they reflect current values and asset life.	Considerable effort and expense are being afforded to ensure that asset valuations and depreciation schedules are reviewed regularly to achieve best practice by ensuring they reflect fair values and asset life.
9	Ensure that its IAMP is updated for each asset group, and that the timing of planned asset renewals/replacements are consistent with the remaining useful lives of existing assets. Incorporate this data into the annual budget and long-term financial plan.	Considerable effort and expense are being afforded to implement Predictor Modelling for each asset group. This modelling is being incorporated into the annual budget and long-term financial plan data.

Containing Rate Levels

10	Consider whether it has given sufficient weight to the practical and logistical challenges in seeking to renew too much of its asset stock simultaneously, as well as considering whether there are alternative strategies which are longer term and enable a more staggered renewal profile.	Continual improvements are being made through Predictor Modelling to develop longer term strategies in renewing its asset stock.
11	Consider limiting future increases in rates to below expected inflation to reduce both affordability risk and intergenerational burden risk, while pursuing cost-savings initiatives to ensure expenses are controlled over the long-term.	Council provides a high level of services and infrastructure, despite its low population and remote geographical location which contributes to a high-rate burden on the community. Rationalisation of service levels and lowering of infrastructure condition may be required to enable rate increases to be limited.



Local Government Advice

LOCAL GOVERNMENT ADVICE SCHEME 2023-24 - ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA (ESCOSA) REPORT

ROXBY COUNCIL

Local Government Advice

Municipal Council of Roxby Downs

February 2024

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

Municipal Council of Roxby Downs

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the Municipal Council of Roxby Downs' current and projected financial performance **sustainable** taking into account the council's forecast low expense growth increase over the next 10 years and the planned average rate increases of 3.9% p.a. per property over this period

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- If services, facilities and existing infrastructure are kept at current levels, the Council will have cost control and affordability challenges potentially causing average rate increases at higher-than expected levels
- Infrastructure assets of a similar age, could require more repairs, maintenance and upgrades around the same time

CONTINUE

- Reviewing inflation forecasts in the budget and forward projections from 2024-25
- Ensuring income and expenditure data is consistent in the long-term financial plan and annual business plan
- Reviewing and updating the asset valuations and depreciation schedules regularly

COMMISSION'S RECOMMENDATIONS

- Undertake a review of the long-term financial plan each year
- Adopt inflation forecasts that align more closely with the RBA forecasts
- Include financial indicator reports in the long-term financial plan
- Introduce cost controls and monitor cost growth related to Roxby Link and capital expenditure
- Report actual and projected cost savings in the annual budget and long-term financial plan
- Update the infrastructure and asset management plans for each asset group, and ensure the timing of planned asset renewals/replacements are consistent with the remaining useful lives of existing assets
- Consider staggering future asset renewals to mitigate the risk of renewing assets simultaneously
- Consider limiting future increases in rates to below expected inflation

KEY FACTS

- Population in 2021 was **3,671**
- Council covers **110 square kilometres**
- **1,879** rateable properties in 2022-23
- **$5.8 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **$159.4 million**

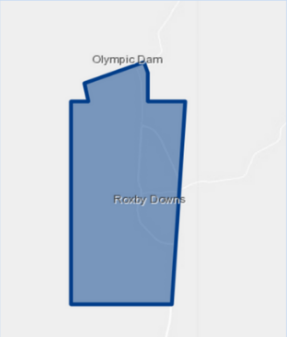


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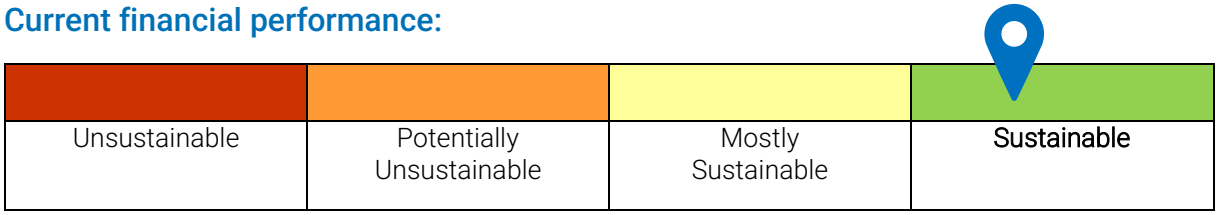
Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Municipal Council of Roxby Downs
CWMS	Community Wastewater Management System
ESC Act	*Essential Services Commission Act 2002*
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	*Local Government Act 1999*
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Pa per 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	*Local Government (Financial Management) Regulations 2011*
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

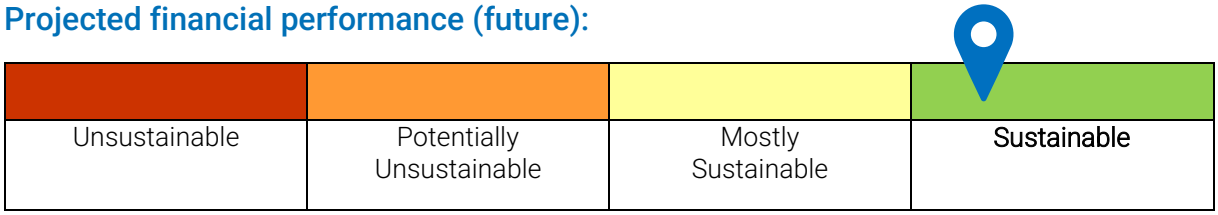
Legend: Low-risk Moderate-risk High-risk

1 The Commission's key advice findings for the Municipal Council of Roxby Downs

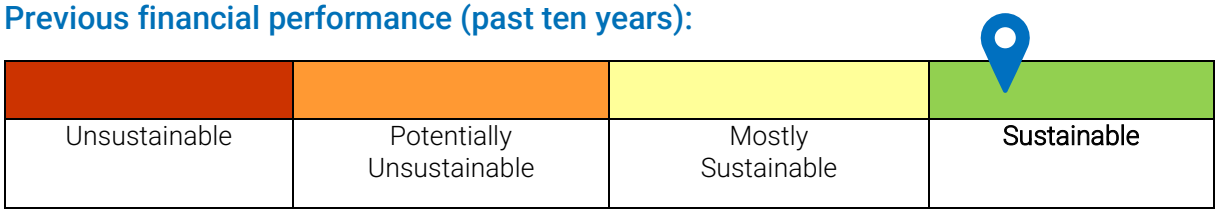
Current financial performance:



Projected financial performance (future):



Previous financial performance (past ten years):



The Essential Services Commission (**Commission**) considers the Municipal Council of Roxby Downs (**Council**) to be in a sustainable financial position because it has projected operating surpluses or small future deficits on a consolidated basis and total expenses increasing at a rate lower than inflation in the long term.

Acknowledging the Council's outlook, the Commission considers it would be appropriate for it to undertake the following steps to ensure it budgets prudently and transparently, continues to manage its cost base efficiently, plans its asset needs appropriately, renews its asset base to meet sustainable service levels and constrains the extent of further rate increases:

Budgeting considerations

1. **Ensure** that the Council undertakes a review of its long-term financial plan each year as required by the *Local Government Act 1999*.
2. **Continue** to follow the good practice of reviewing its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.
3. **Start** to adopt CPI forecasts that align more closely with the RBA forecasts and the local government sector expectations.
4. **Start** to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.
5. **Continue** to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the Annual Business Plan.

Providing evidence of ongoing cost efficiencies

6. **Start** to introduce cost controls and to monitor the growth in costs where possible, especially those related to Roxby Link[1] and capital expenditure.
7. **Start** to follow the good practice of reporting any actual and projected cost savings in its annual budget and long-term financial plan as appropriate to provide evidence of containing the growth in expenses and achieving efficiencies across its operations.

Refinements to asset management planning

8. **Continue** to review and update its asset valuations and depreciation schedules regularly to achieve best practice by ensuring they reflect current values and asset life.
9. **Ensure** that its IAMP is updated for each asset group, and that the timing of planned asset renewals/replacements are consistent with the remaining useful lives of existing assets. Incorporate this data into the annual budget and long-term financial plan.

Containing rate levels

10. **Consider** whether it has given sufficient weight to the practical and logistical challenges in seeking to renew too much of its asset stock simultaneously, as well as considering whether there are alternative strategies which are longer term and enable a more staggered renewal profile.
11. **Consider** limiting future increases in rates to below expected inflation to reduce both affordability risk and intergenerational burden risk, while pursuing cost-savings initiatives to ensure expenses are controlled over the long-term.

[1] Roxby Link is part of the Roxby Council's operations that provides leisure, recreation and cultural support and services to the community.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Parliament to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.[2]

One of the main purposes of the Local Government Advice Scheme (**advice** or **the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)[3] – both required as part of a council's SMP.[4] Financial sustainability is considered to encompass intergenerational equity,[5] as well as program (service level) and rates stability in this context.[6] The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.[7] In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.[8]

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 17 councils for advice in the second scheme year (2023-24), including the Municipal Council of Roxby Downs (**Council**).

This report provides the Local Government Advice for the Council in 2023-24.

The Council is obliged under the LG Act to publish this advice and its response, if applicable, in its 2024-25 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.[9] It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website[10]), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

Historically and into the future, the Council is dependent upon the level and success of the operations at Olympic Dam.[11] Most of the infrastructure was built when Roxby Downs was established in 1988, which means that most of its assets have a common age. The number of residents and rateable properties declined somewhat over the historic period (from 2,051 properties in 2012-13 to 1,986 in 2021-22), in line with the scale of activity at Olympic Dam.[12] The number of rateable properties is expected to remain stable at 1,881 over the forecast period 2023-24 through 2032-33.

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2 Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

3 Commonly referred to as asset management plans.

4 The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

5 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

6 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

7 LG Act s122(1f)(a) and (1g)(a)(ii).

8 LG Act s122(1f)(b) and (1g)(b).

9 LG Act s122(1h).

10 The Commission must publish its advice under LG Act s122(1i)(a).

11 Roxby Downs was established under the Roxby Downs (Indenture Ratification) Act 1982 (SA) to ratify a certain indenture between the State of South Australia and the Indenture Partner, which is currently BHP, which includes obligations upon the Partners and provisions in relation to local government.

12 Since Roxby Downs was established to service the operations at Olympic Dam, the population will change according to the site's requirements.

The Commission finds the Council's current financial position to be sustainable on balance, given the long-term outlook for Olympic Dam and the financial support provided through the Indenture Partners.[13]

The Council has produced operating surpluses since 2016-17 and forecast surpluses until 2025-26. From 2026-27 through 2032-33 however, the Council is forecasting deficits, because the average annual forecast growth in expenses of 3.6 percent (which is higher than the average annual forecast inflation rate of 2.6 percent) is greater than the forecast average annual growth in income of 2.0 percent.

This situation reflects a change in circumstances for the Council. Roxby Downs was established in 1988 to service Olympic Dam's operations and consequently, many of its assets have a similar age. Roxby Downs has an extensive range of facilities and amenities for its size, because it was built to attract and retain staff to work at Olympic Dam and provide the workforce for the mine. Historically, the Council has provided a high level of services and infrastructure,[14] despite its low population[15] and remote geographical location. These services and infrastructure impact the financial plans of its three business units (Municipal,[16] Power and Water) and the subsequent management of costs and cross-subsidisation between them.

The Commission notes that the Council faces a cost control and affordability challenge if it is to keep services and facilities at broadly existing levels. If the Municipal Deficit Arrangements remain static at $600,000 per annum[17] and cost escalation becomes harder to contain, there is a risk that the Council will need to increase rates and other charges more than anticipated in the 2023-24 LTFP to keep existing services and infrastructure condition at near current levels. If this is not affordable, some rationalisation of service and infrastructure quality might become necessary for the operations to remain sustainable.

The Commission also notes that the Council's assets renewal expenditure has not kept pace with its own assessment of actual requirements, and the annual depreciation charge is consistently higher than the Council's planned renewal expenditure.

The Council must also manage the risk associated with having infrastructure assets of a similar age, which could be expected to require more repairs or maintenance and upgrades, or new assets beyond the scope of LTFP and the Council's funding strategy.[18]

The Council's forward projections from 2023-24 (in its LTFP) forecast a gradually deteriorating financial sustainability outlook as a result of the forecast rate of expense growth outpacing the forecast rate of operating revenue growth with:

The population of Roxby Downs increased after the announcement in November 2008 that the Olympic Dam operations were expanding to include open-cut mining, but the population subsequently decreased after the plans were abandoned.
Also note that the population of Roxby Downs does not include the fly-in fly out workers who live temporarily at the Olympic Dam site.

13 Roxby Council was created and operates under the provisions of the Roxby Downs (Indenture Ratification) Act 1982 and is governed by an Administrator appointed by the Minister, who also has Chief Executive responsibilities.
Under the terms of the Indenture, BHP and the State Government both subsidise the Council's deficits with equal contributions of $300,000 per annum.

14 The Partner(s) in the Indenture (BHP and the Government of South Australia) have gifted the Council with infrastructure for the Council to manage and maintain.

15 The estimated resident population of Roxby Downs for 2022 is 4,102. See Population and dwellings | Roxby Downs Council | Community profile (id.com.au)

16 Which includes the operations of Roxby Link, which contributes to most of the operating deficit.
The commission understands that the Council intends to conduct service reviews for key Roxby Link areas over the next few years with the intention of reducing the cost of the Municipal business unit to an affordable level.

17 The Partners of the Indenture (the Government of South Australia and BHP) make equal contributions of $300,000 per year to cover the deficit. It follows that the Partners make no contribution if the budget is in surplus.

18 Which appears to be to maintain an increasing level of cash reserves.

- average growth in rates and expenses per property above the Reserve Bank of Australia (RBA)-based forecast inflation rate (with rates above the Council's forecast inflation and expenses slightly below the Council's forecast inflation[19]),
- a decline in the operating surplus ratio, with negative values from 2026-27 through 2032-33,
- further declines in the net financial liabilities ratio and increasing cash reserves, and
- an average asset renewal funding ratio (net) that is volatile but with an average value for the forecast period that sits on the upper target value of 100 percent.

Over the years of the LTFP 2023-24 through 2032-33, the Council is projecting average rates increases consistent with the RBA targeted inflation for the first three years, and from 2026-27 onwards, at 3 percent per annum, which is higher than the long-term expected inflation rate used by the Commission.[20] This delivers an annual average of 3.9 percent per annum for the period, or the forecast CPI plus 0.7 percent per annum.

Affordability risk among the community for these further rate increases appears to be moderate, on balance, when considering:

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Municipal Council of Roxby Downs area,[21]
- the current relatively high average rates (across most ratepayers),
- the Council's planned increases in rates per property of an average of 4.0 percent per annum over the forecast period, which sits above average expected inflation,[22] and
- The potential for additional revenue to be received from the State Government and BHP as subsidies to cover any operating deficits.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Council's material changes to its 2023-24 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

The Commission considers that the Council did not follow its obligation to review its LTFP in 2022-23 as required under the Act,[23] which meant that the Council had to provide the Commission with estimates

[19] The Council's average annual forecast inflation for the 10 years of the LTFP is 3.88 percent, which sits above the RBA-based mid-range forecast average inflation of 2.6 percent.

[20] The Council has used the RBA Forecast table - February 2023 in its financial modelling, and adopted a long-term average CPI increase of 3.0 percent for June 2025 through June 2033, whereas the Commission has based its analysis upon the midrange of the RBA long-term target at 2.5 percent for June 2026.

[21] The Roxby Council area is ranked 59 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'through June 2033.incorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (eg 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/websitedbs/censushome.nsf/home/seifa.

[22] The Council's inflation forecast of an average of 3.0 percent sits above the Commission's forecast average inflation of 2.6 percent per annum for the period, which is based upon the RBA forecasts for the CPI (Australia-wide) to December 2025 and the Commission's calculations of average annual growth and the midpoint of the RBA's target range (2.5 percent) from 2025-26 onwards.

[23] See *Local Government Act 1999* section 122(4)(a) which states that a council is required to conduct an annual review of its long-term financial plan.

of the 2022-23 data for the purpose of this Advice.[24] Furthermore, the Council did not include any financial indicator target ratios in the 2023-24 LTFP,[25] as required by the Regulations.[26]

Additionally, the Council did not prepare an IAMP for 2018-22, which limited the Council's ability to assess their current levels of service delivery and plan for capital expenditure. At the time, however, the Council was implementing improvements to their asset management, including adopting the Assetic system in 2018 and reviewing and transferring asset data onto the system.[27]

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.[28]

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

- ✓ Budgeted for a modest improvement in operating performance in the 2023-24 LTFP, with a higher surplus of $0.7 million compared to a surplus of $0.1 million projected in the 2022-23 data.
- ⚠ The 2023-24 LTFP shows an increase in total expenses of $9.62 million or 5.3 percent as compared with the estimates for the 2022-23 Plan.
- ✓ Increase in capital expenditure of $13.8 million on the renewal of assets, and an increase of $3.8 million or 38 percent from the estimated value of the previous LTFP.

The Commission has compared the Council's projections in its 2023-24 LTFP with those from the estimates provided by the Council as to the contents of its 2022-23 LTFP. The projections had been prepared and focused on the aggregate of the nine overlapping years' statistics 2023-24 to 2031-22[29] to ensure a comparable analysis of material amendments.

The Council budgeted for a modest improvement in operating performance in the 2023-24 LTFP, with a higher surplus of $0.7 million compared to a surplus of $0.1 million projected in the 2022-23 data calculated by Council based upon the eight overlapping years of data. The material changes are attributed to:

- adjustments in income, resulting from planned increases in rates to be aligned with the Council's higher-than-average CPI forecast (compared with the RBA forecast of an annual average of 2.6 percent,

[24] The Council estimated the 2022-23 data using an averaging method and entered this data on the Template provided to the Commission.
The Council also submitted two letters dated 29 September 2023 and 26 October 2023 which contained Council's estimates of key income and expenditure items as a proxy for the 2022-23 LTFP, calculated by averaging actual historical data, along with the reasons for material changes between their estimates for the 2022-32 LTFP data and the 2023-24 LTFP.

[25] The Council explained to the Commission that this was an oversight due to preparing multiple documents (ie the annual budget, LTFP and IAMP at the same time).

[26] The *Local Government (Financial Management) Regulations 2011*section 5 (1)(c) require a council to use and report the operating surplus ratio, net financial liabilities ratio and the asset renewal funding ratio in its annual budget and long-term financial plan.

[27] The Council advised that these activities are enabling them to conduct a significant review of their assets (including the estimated remaining asset lives for each asset group) and to update the records.

[28] The attachment will be available on the Commission's website with the Advice.

[29] The Council did not prepare a 2022-23 LTFP so for comparison purposes, calculated and provided estimated values to the Commission based on an average for 8 years of data plus an adjustment for average increase.

- a shift to the Municipal and Leisure Services of Council being funded directly from rates rather than relying upon power and water surplus funds directed towards Municipal services, [30] and
- a catch-up for the cost of waste collections and disposal services in the new contract.[31]

Employee costs have increased due to Council employing contractors to maintain services in some technical/specialist areas due to difficulties in attracting and retaining qualified staff. Materials, contracts and other expenses increased by 6.6 percent as the Council struggles to compete with BHP in terms of sourcing staff and contractors for similar work. Depreciation expenses are forecast to increase by 11 percent due to funding the construction of new asset programs from LGIPP, BBRG, Office for Sport and Recreation and LRCI.[32]

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are transparent, but that the Council has not complied with the requirement under the LG Act to produce a LTFP in 2022-23 that includes a report on performance of the actual and expected financial ratios.[33]

Notwithstanding the need for the Council to endeavour to find savings and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

1. **Ensure** that the Council undertakes a review of its long-term financial plan each year as required by the *Local Government Act 1999*.
2. **Continue** to follow the good practice of reviewing its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.
3. **Start** to adopt CPI forecasts that align more closely with RBA forecasts and the local government sector expectations.
4. **Start** to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.
5. **Continue** to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the Annual Business Plan.

The Commission observes that the Council noted risks to its estimates arising from the impact of inflation upon expenditure, the cost of living and the anticipated burden of rates upon ratepayers.[34] In addition, there are no current regulatory requirements for it to publish its LTFP projections with its annual business plan and budget.

The Council's 2023-24 LTFP shows an increase in total expenses of $9.62 million or 5.3 percent as compared with the estimates for the 2022-23 Plan. Over the 10-year projections in the 2023-24 LTFP, the Council included an increase in capital expenditure of $13.81 million on the renewal of assets, an increase of $3.82 million or 38 percent from the estimated value of the previous LTFP, which includes asset renewal from the IAMP and supplementary projects that have been identified on the grounds of requiring renewal.

The 2023-24 LTFP also includes an additional $5.08 million on new and upgraded assets, where there was nil expenditure estimated for the 2022-23 LTFP. This results in new and upgraded assets now

30 The Council is in a unique position where the Water and Energy units subsidise Municipal unit income under the Indenture.

31 The Council operations are distinguished by business unit, where the Municipal business unit includes those services attributed to a traditional local government operation, including the management of local government infrastructure assets as well as services such as waste collection and dog and cat management; the two other business units are Power and Water, which together with Municipal, provide a consolidated surplus or deficit.

32 The Local Government Infrastructure Partnership Program (LGIPP), Bridon-Bekaert The Ropes Group (BRGG), and the Local Roads and Community Infrastructure Program respectively.

33 See *Local Government (Financial Regulations) 2011* section 5 (1)(c).

34 Municipal Council of Roxby Downs Long Term Financial Plan 2024-2033 pp. 9 & 10.

representing nearly 27 percent of capital expenditure over the period. The Council can undertake this expenditure largely due to BHP providing supplementary grant funding for new and upgraded assets for new initiatives identified in the sewer reclaimed water optimisation and stormwater management plans.[35]

The Council has coordinated their long-term projections[36] with their annual budget process and publishes both on their website and includes their projections for inflation in their Annual Business Plan and Budget but have not included a report on the historical and expected performance of the financial ratios in their LTFP.[37] The Commission considers it would be appropriate for the Council to:

6. Start to introduce cost controls and to monitor the growth in costs where possible, especially those related to Roxby Link and capital expenditure.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- Operating surpluses consistently achieved between 2016-17 and 2021-22.
- The operating surplus ratio is forecast to be positive until 2026-27 where it is zero and then negative for the remaining forecast period.
- The Council faces a considerable cost control and affordability challenge if it is to keep services and facilities at broadly existing levels, given a lower rate base than anticipated prior to 2020.
- Forecast expenses are predicted to grow at an average of 3.63 percent per annum which is 1.03 percent higher than the expected inflation rate.

The Council has run an operating surplus since 2016-17 by turning an operating deficit averaging -$0.78 million from 2012-13 through 2015-16 to a surplus of $1.4 million in in 2016-17 and thereafter, by maintaining an average annual surplus of $1.86 million over the last six years of the historical period. This resulted in the operating surplus ratio exceeding the upper threshold of 10 percent in recent years.[38]

Over the term of the LTFP, the historical trends are reversed. The operating surplus declines and stays below the lower target of zero percent from 2026-27 onwards. Total expenses are forecast to increase by an average of 3.63 percent per annum, above the average expected inflation rate of 2.6 percent per annum for the period, based upon the RBA forecasts. Forecast income, meanwhile, increases at the rate of 2 percent per annum, which is below inflation, so the growth in expenses outpaces the growth in income and the operating surplus ratio breeches the lower limit of zero percent from 2026-27 onwards.

[35] Roxby Downs already has extensive infrastructure and facilities for a town of its size, which were built and continue to be expanded to attract and retain staff at this remote location, and these are maintained to a high standard.

[36] The Council did not produce a LTFP in 2022-23, which is not consistent with requirements.

[37] Although the assumptions appear consistent.

[38] The Council is in the unique position where User Charges, which include income from the Water and Power units, were the source of around 58 percent of Council income over the historic period and are expected to be the source of 57 percent of total income over the forecast period. The Council has expressed the intention of relying more heavily upon income from rates over the forecast period (See table of income and expenditure changes p 8 of the LTFP, where General Rates are forecast to increase in line with the Council's forecast CPI increases, while income from Water and Power Units is forecast to increase at well below the forecast CPI increases.

Furthermore, as the number of rateable properties is forecast to be stable, both expenses and income per property increase, with expenses per property increasing faster than the rate of inflation projected by the RBA.[39]

The changing patterns over the forecast period relative to the historical reflect a change in circumstances for the Council. From the time of its establishment in 1988, Roxby Downs has had an extensive range of facilities and amenities for its size, because it was built to attract and retain staff to work at Olympic Dam and provide the workforce for the mine. Historically, the Council has provided a high level of services and infrastructure,[40] despite its low population and remote geographical location. These services and infrastructure impact the financial plans of its three business units (Municipal,[41] Power and Water) and the subsequent management of costs and cross-subsidisation between them.

The Commission notes that the Council faces a cost control and affordability challenge if it is to keep services and facilities at broadly existing levels, given a lower rate base than anticipated prior to 2020[42] to finance this. The Council advised the Commission that it intends to conduct service reviews for key Roxby Link areas over the next few years with the intention of reducing the cost of the Municipal business unit to an affordable level.[43]

Under the Indenture,[44] the Council already has Municipal Deficit arrangements to the level of $600,000 per annum.[45] If this remains static and cost escalation becomes harder to constrain, there is a risk that the Council will need to increase rates and other charges more than anticipated to keep existing services and infrastructure conditions at near current levels. If this is not affordable, some rationalisation of service and infrastructure quality might become necessary. Against such a background, the Commission considers it beneficial for the Council to develop a range of credible options, rather than the only one contained in the 2023-24 LTFP, which is for consultation with the community, BHP and the State Government.

To ensure the Council achieves best practice in line with the LGA target for the operating surplus, the Commission considers it appropriate for the Council to:

7. **Start** to follow the good practice of reporting any actual and projected cost savings in its annual budget and long-term financial plan as appropriate to provide evidence of containing the growth in expenses and achieving efficiencies across its operations.

39 That is, the expenses per property increase in real terms.

40 The Partner(s) in the Indenture (BHP and the Government of South Australia) have gifted the Council with infrastructure for the Council to manage and maintain.

41 Which includes the operations of Roxby Link, which contributes to most of the operating deficit. The Commission understands that the Council intends to conduct service reviews for key Roxby Link areas over the next few years with the intention of reducing the cost of the Municipal business unit to an affordable level.

42 An expansion of Olympic Dam's operations to include open-cut mining was announced in November 2008, which would have resulted in substantial growth in the population of Roxby Downs, but the plans were subsequently abandoned in 2020, resulting in a forecast of a stable population and a lower rate base.

43 As stated in the LTFP p. 6 and as advised by the Council during discussions held on 9 November 2023.

44 The Roxby Downs (Indenture Ratification) Act 1982 (SA), which currently has two Partners, the Government of the State of South Australia and BHP.

45 The Partners of the Indenture (the Government of South Australia and BHP) make equal contributions of $300,000 per year to cover the deficit. It follows that the Partners make no contribution if the budget is in surplus.

Net financial liabilities

Key Points:

- For nine of the ten years of the historical period, the net financial liabilities ratio remained below the bottom of the target range of zero percent, averaging negative 49.6 percent.
- Over the forecast period from 2023-24 through 2032-33, the net financial liabilities ratio is forecast to remain negative and well below the zero percent lower target, with an average for the forecast period of negative 124.7 percent.
- The Council continues to hold significant and increasing levels of cash throughout the forecast period, even after undertaking planned capital expenditure, which presents an opportunity cost to ratepayers, since they are providing those funds, which could have been used for other purposes that benefit them.

For nine of the ten years of the historical period, the Council's net financial liabilities ratio remained below the bottom of the target range of zero percent, averaging negative 49.6 percent and reflecting the Council's low level of financial liabilities.

Over the forecast period from 2023-24 through 2032-33, it remains negative and well below the zero percent lower target, with an average for the forecast period of negative 124.7 percent. This is due in part to cash and cash equivalents growing by an average 4 percent per annum over the forecast period, while liabilities decrease by an average 1 percent per annum. This data trend shows that the Council will continue to hold significant and increasing levels of cash throughout the period, even after undertaking planned capital expenditure.

The Council's reason for holding cash is to cover the risk of replacement of ageing assets on an urgent basis. The Commission notes, however, that the Council's asset stock is relatively new, given that Roxby Downs was established in 1988. The Council's level of cash holdings might also lack balance with respect to inter-generational equity, given the transient nature of the population. While both rates and cash holdings increase each year to fund potential future capital expenditure, the benefits may not be seen by those currently paying rates.[46]

There is merit in the Council reviewing their projected cash requirements with a view to reducing them to restrain their increases in rates. Holding cash results in an opportunity cost to ratepayers, since they are providing the funds which could have been used for other purposes that benefit them.

Asset renewals expenditure

Key Points:

- The asset renewal funding ratio averaged 57.7 percent over the 10-year historical period but has averaged 90.4 percent between 2018-19 and 2021-22.
- The Council intends to broadly meet its planned renewals expenditure over the LTFP and to maintain a depreciation charge higher than planned renewal expenditure needs. This results in the forecast asset renewal ratio, using the depreciation method, being consistently below the lower threshold target of 90% over the LTFP.
- Asset renewals have been low due to the relatively young age of assets, but a review of asset condition (especially underground assets) and their remaining asset lives should be undertaken.

46 The population of Roxby Downs is relatively transient, with an annual turnover of 20 percent.

Revaluations of assets are scheduled every five years, although the Council has advised that in periods of higher inflation, the Council undertakes a desktop revaluation every two to three years, with condition and useful lives undertaken every five years.

Historically, the Council's actual assets renewal expenditure has not kept pace with its own assessment of actual requirements. This is reflected in its asset renewal funding ratio, which is based upon comparing actual renewal expenditure with planned renewal expenditure, which averaged 57.7 percent over the 10-year historical period, well below the lower target threshold of 90 percent. Although there was an improvement over the last five years of the historic period, the asset renewal ratio averaged only 90.4 percent, which sits just within the target range.

The result worsens when comparing the asset renewal funding with depreciation rather than planned expenditure because the annual depreciation charge is consistently higher than the Council's planned renewal expenditure over the historic period. In this respect, the Commission notes that in the absence of debt and increasing cash and cash equivalents, the Council appears to be holding some of the excess as reserves.

These trends align with the Council noting 'the historic level of asset renewal expenditure was low due to the common age of the infrastructure assets',[47] which means that many of the Council's existing assets have the same age, and consequently each asset group will require repairs and replacement at approximately the same time.[48] This suggests that significant renewal lies in the future because much of the asset stock was established in the late 1980s. As such, the patterns seen in the measures of the asset renewal ratio reflect the Council adopting a strategy of accumulating reserves in the near term, which may or may not be used to fund greater renewals in the future.

The age structure of the asset stock also indicates that the Council should be developing credible strategies to manage the risk of infrastructure assets with a similar age, which could be expected to require more repairs/maintenance and renewal/replacement within the same timeframe in the future. In this respect, the Council has advised that extensive work has been done to verify Council assets and condition ratings together with compiling up-to-date valuations utilising the Assetic system. This was expedited though 2022-23, with 'extensive research, modelling, stakeholder consultations, presentations to Audit & Risk Committee, BHP and State Government, along with community engagement'.[49]

The Council has also provided the Commission with the IAMP 2023-2033[50] which is used to guide the planning, construction, maintenance and operation of each of their asset classes and identify the predicted asset renewal date, along with possible expansion/upgrade of assets.[51] The revaluation schedule in the IAMP indicates that revaluations of assets are scheduled every five years, although the Council has advised that in periods of higher inflation, the Council undertakes a desktop revaluation every two to three years, with condition and useful lives undertaken every five years.

Overall, the above factors indicate that the recent asset assessments, valuation exercises and the IAMP should provide a robust indication of implications of the Council's renewal and upgrade/new asset plans

47 See Roxby Downs AMP 2023-33 p. 6.
48 Under the terms of the Indenture, The Partner (BHP) builds the assets and then hands them over to the Council to manage, which includes responsibility for repairs and maintenance.
49 As explained by the Council during discussions and communications in November 2023.
50 Roxby Council *Infrastructure and Asset Management Plan 2023-2033* (IAMP).
51 The IAMP covers eight groups of assets, including transport, water, wastewater, stormwater, power, buildings and other structures, parks and gardens and plant and equipment, with a replacement value of $174 million and annual depreciation of $3 million.

for the LTFP. They also provide an indication of likely future renewals beyond the scope of the LTFP and the Council's funding strategy.

In this respect, the Commission notes the continual decline in the value of the asset stock per rateable property over the LTFP suggesting the peak in renewals extends beyond this LTFP. This is because the number of rateable properties is static and there is negligible forecast capital expenditure on new/upgraded assets. The Council's has stated that the reason for low forecast spend on new/upgraded assets is 'the current population level to support BHP operations can be accommodated within the existing residential area,'[52] and the infrastructure required for future development will be met by BHP and/or the State Government as required under the terms of the Indenture.[53]

The Commission also notes the intention of the Council to broadly meet its planned renewals expenditure over the LTFP and to maintain a depreciation charge higher than planned renewal expenditure needs. This results in the forecast asset renewal ratio, using the depreciation method, being consistently below the lower threshold target of 90% over the LTFP, with the opposite for the asset renewal ratio measure using planned renewal expenditure. The implication of this, alongside the continuation of low to zero debt and negligible capital expenditure on new/upgraded assets is the increasing cash reserves noted in the previous section on net financial liabilities.

In part, the Council's reasoning for holding ever increasing reserves is that while it is relatively easy to conduct spot checks on the condition of above-ground assets, the Council has significant assets underground, including electricity assets, that also require monitoring. The Council has advised the Commission that it is concerned that urgent asset renewal might be required at scale and at considerable cost in the future.

The Commission also observes the considerable practical difficulties and logistical challenges in seeking to renew or replace a large proportion of the asset stock simultaneously. Given this, there is a need for the Council to consider strategies to address this, alongside funding. There may be benefit in the Council considering a longer-term, more staggered approach to renewal, which would likely be less disruptive for the community and more manageable for the Council.

Additionally, the Commission considers there may be benefit in the Council reviewing any misalignment in the asset lives used to calculate depreciation and those used in the IAMP, with a view to creating more parity. The Council's work undertaken recently in understanding asset condition, life and value underpins its future renewal expenditure, which is significantly less than implied by the depreciation charge. This suggests the asset lives between the two are misaligned, with those being used for depreciation purposes potentially being lower.[54]

Notwithstanding, the Commission does acknowledge the Council's recent work in improving it's understanding of the condition, life, and value of the assets under the Council's stewardship that benefit the community. While the Commission considers this a positive step, how this will develop is not yet known. Given this, the Commission considers it prudent to review progress once this approach becomes more embedded in the Council's processes, strategic planning, and implementation. How rates evolve on the back of the Council's updated approach is also of relevance.

The Commission considers that it would be appropriate for the Council to:

8. **Continue** to review and update its asset valuations and depreciation schedules regularly to achieve best practice by ensuring they reflect current values and asset life.

9. **Ensure** that the IAMP is updated for each asset group and that the timing of planned asset renewals/replacements is consistent with the remaining useful lives of assets. This data should be incorporated into the annual budget and long-term financial plan.

[52] Municipal Council of Roxby Downs Long Term Financial Plan 2023-32 p.13.

[53] See Municipal Council of Roxby Downs IAMP 2023-32 pp. 12 & 13 The Council anticipates an annual increase in population of 1.25 percent (or 50 new residents) per annum with an associated increase in repairs and maintenance costs.

[54] The Council advised that it is currently undertaking significant work to move data to the Assetic software, which is expected to assist with asset management and planning.

10. **Consider** whether it has given sufficient weight to the logistical and practical challenges in seeking to renew a large proportion of the asset stock simultaneously, as well as considering alternative strategies which are longer term and enable a more staggered renewal profile.

2.2.3 Advice on current and projected rate levels

Key Points:

- ⚠ The Council currently has the highest residential rates per property in South Australia, with average rates per property in 2020-21 at $2,931, which is nearly 44 percent higher than the State average.
- ⚠ Rate revenue per property growth has averaged 3.2 percent between 2012-13 and 2021-22 (1.2 percent above CPI).
- ✓ The forecast rate revenue increase for 2023-24 is 7.55 percent per property which is in line with inflation.
- ⚠ Between 2023-24 and 2032-33, the average rate revenue per property is forecast to increase by 3.9 percent per annum, which is above the RBA-based forecast average of inflation of 2.6 percent per annum.

The Council currently has the highest residential rates per property in South Australia, with average rates per property in 2020-21 at $2,931,[55] which is nearly 44 percent higher than the State average. The Council's rate revenue per property grew by an average of 3.2 percent per annum over the 10-year historic period 2012-13 through 2021-22, which resulted in rates increasing by around 1 percentage point, more than the average annual inflation of 2.6 per cent over the period. [56] While it can be argued that Roxby Downs ratepayers have a better than average capacity to pay their rates because the towns' SEIFA rating is 59 out of 71[57] (for the state), this cannot alone explain the historical high level of rates.

As noted previously, the Council is now managing the consequence of expanding services and infrastructure to accommodate an anticipated population increase that did not materialise. Also, the Council provides a high level of services and infrastructure, despite its low population and remote geographical location. Providing this with limited scale means that the Council is at risk of being unsustainable without access to the Municipal Deficit funding and a high-rate burden on the community. This will not change without service rationalisation and a lowering of infrastructure condition.

The Council has budgeted for an increase in total rates income of 7.64 percent in 2023-24, which results in an average rate increase of 7.55 percent or $232.23 per property for its existing ratepayers,[58] in line

[55] Based on total residential rates excluding CWMS rates per rateable residential property for each council in SA as shown in SA Local Grants Commission Excel spreadsheet Report 6 – Council Rating Arrangements for 2021-22 Financial Year.

[56] As per the table *Total Residential Rates (excluding CWMS Rates) per Rateable Residential Property* – SA Local Government Grants Commission Report 6 *Council Rating Arrangements for 2021-22 Financial Year*.
See also Councils in Focus data for 2020 available at Municipal Council of Roxby Downs | Councils in Focus where Roxby Council's general rates were reported as $2.31k net per property, compared to $1.73k per property for the similar council average and $1.81 per property for the state average.

[57] The Socio-Economic Indexes for Areas (SEIFA) is produced by the ABS and ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census.
The SEIFA ranking of 59 of 71 indicates that Roxby Downs residents have a better capacity to pay rates than 58 of the other councils in South Australia.
See https://www.abs.gov.au/websitedbs/censushome.nsf/home/seifa for more information about the indexes.

[58] See Municipal Council of Roxby Downs – Long-term Financial Plan 2023-33 p. 8 and data in its Excel template (with the 2023-24 forecasts) provided to the Commission.

with inflation. This is higher than its average historical rates of increase at 3.21 percent per rateable property and is the result of a change in the Council's budgetary approach to increasing rates income in line with inflation, rather than under the rate of inflation.

Over the years of the LTFP 2023-24 through 2032-33, the Council is projecting average rates increases consistent with the RBA targeted inflation for the first three years, and from 2026-27 onwards, at 3 percent per annum, which is higher than long-term expected inflation. This delivers an annual average of 3.9 percent per annum for the period, or the forecast CPI plus 0.7 percent per annum.

No growth in rateable properties is expected and total rates revenue per property is forecast to increase from an average of $3,086.75 per rateable property in 2022-23 to $4,579.48 in 2032-33, which is an increase of $1492.73 or 48.4 percent above the average rates per rateable property at the start of the 10-year forecast period.

Affordability risk among the community for these further rate increases appears to be moderate, on balance, when considering:

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Municipal Council of Roxby Downs area,[59]
- the current relatively high average rates (across most ratepayers),
- the Council's planned increases in rates of around 3.0 percent per annum over the forecast period, which sits above average expected inflation,[60] and
- the potential for additional revenue to be received from the State Government and BHP as subsidies to cover any operating deficits.

However, as the current economic environment is putting more pressure on most communities' capacity to pay for further rate increases, including those of the Council, the Commission considers it would be appropriate for the Council to:

11. Consider limiting further increases in rates to below expected inflation to reduce both the affordability risk and intergenerational burden risk, while pursuing cost-saving initiatives to ensure expenses are controlled over the long-term.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Roxby Council's:

- ongoing performance against its current LTFP estimates,
- development of strategies and setting targets for cost savings and reporting achievements in its plans,
- development a strategy to reduce the risks associated with the Council's assets having a similar age,
- alignment of asset and depreciation values in the IAMP, to be coordinated with planned expenditure in the LTFP,

The Grants Commission database lists residential rates as $2,391 for 2021-22, which includes the waste collection and Landscape Levy.

59 The Roxby Council area is ranked 59 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (eg 1) denotes relatively lower access to economic resources in general, compared with other areas, available at Socio-Economic Indexes for Areas (SEIFA), Australia, 2021 | Australian Bureau of Statistics (abs.gov.au)

60 The forecast of an average 3.0 percent sits above the Commission's forecast inflation of 2.6 percent per annum for the period.

- development of plans for asset renewal,
- a reassessment of its cash requirements, and
- the Council's efforts to minimise any emerging affordability risks.



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LOCAL GOVERNMENT ADVICE SCHEME 2023-24 - ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA (ESCOSA) ATTACHMENT

ROXBY COUNCIL

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

Advice

Local Government Advice - Attachment

Municipal Council of Roxby Downs

February 2024

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The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

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A The Commission's approach

In providing the Advice for the Municipal Council of Roxby Downs[1] (**Council**), the Essential Services Commission (**Commission**) has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**).[2]

The Commission has considered the Council's strategic management plan (**SMP**) documents (as in the box below), with a particular focus on its performance and outlook against three financial indicators: the operating surplus ratio, the net financial liabilities ratio and the asset renewal funding ratio.[3] Analysis of these three indicators captures financial and service sustainability, in addition to cost control and affordability risk.[4]

- Municipal Council of Roxby Downs - Annual Business Plan & Budget 2023-24
- Municipal Council of Roxby Downs - Annual Business Plan and Budget 2022-23
- Municipal Council of Roxby Downs - Long-term Financial Plan 2023-2033
- Municipal Council of Roxby Downs - Long-term Financial Plan 2021-2031
- Municipal Council of Roxby Downs Report for Audit Committee Meeting 20 August 2021
- Municipal Council of Roxby Downs Report for Audit Committee Meeting 29 October 2021
- Roxby Council CEO Statement of Financial Sustainability 2022-2023
- ESCOSA LG Advice MCRD Response Signed 29 September 2023
- ESCOSA LG Advice MCRD Response Signed 26 October 2023
- Roxby Council Infrastructure and Asset Management Plan 2023-33
- Roxby Council Strategic Plan 2021 – 2025

The Commission notes that most of the Council's asset base is covered by its existing infrastructure and asset management plans (**IAMPs**), and asset valuations for those assets have been conducted within the last four years.

Given that the Commission must, in providing advice, have regard to the objective of councils maintaining and implementing their infrastructure and asset management plans (**IAMPs**) (usually termed AMPs) and long-term financial plans (**LTFPs**),[5] it has also considered the Council's performance in that context. Findings regarding the content of the Council's IAMPs and the alignment between its LTFP and IAMPs,[6] are discussed in section C.3.

1 Also known as 'Roxby Council'.
2 Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.
3 The indicators are specified in the *Local Government (Financial Management) Regulations 2011*. Since 2011, each council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. The councils can adopt their own target range for each ratio, but the Commission has adopted the previously suggested Local Government Association (**LGA**) target ranges as a basis for its analysis, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).
4 The F&A listed 29 analytical questions that the Commission has answered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.
5 *Local Government Act 1999* (**LG Act**) s122(1g) (a)(i).
6 As required under s122(1b) of the LG Act.

The Commission has also reviewed the Council's template data which contains its 2023-33 LTFP forecasts for 2023-24 to 2032-33, as well as its estimates for 2022-32 LTFP[7] forecasts, and historical financial data and number of rateable properties and council staff (Full Time Equivalent (FTE)) numbers from 2012-13 onwards.[8] All charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council audit committee reports, and other public information, as appropriate.[9]

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (CPI) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts (to the June quarter 2025), and the midpoint of the RBA target range (2.5 percent) thereafter.[10]

Finally, in formulating this Advice, the Commission has had regard to the circumstances of the Council, including its remote location, small and transient population, income level ($19.3 million) and zero expected growth in its rates base.[11]

The Commission has also had regard to the establishing of the Roxby Council under the *Roxby Downs (Indenture Ratification) Act 1982* to operate with all the powers, functions and duties of a South Australian Local Government Authority, the terms of the indenture agreement, including the joint venture partners, being the State Government of South Australia, and BHP Olympic Dam which jointly cover the cost of any Municipal Deficit.[12] The current annual Municipal Deficit contribution is $600,000, shared equally between BHP and the State Government.

The Council was established in 1988 and its operations are organised into three separate business units,[13] with the Municipal unit responsible for the usual council activities along with the Water and Power units (for the supply of water and power respectively), which contribute their operational surpluses to subsidise the Municipal unit (including Roxby Link) operations in the consolidated accounts. The primary, and potentially sole, purpose of Roxby Downs is to provide services and infrastructure to support the mining workforce of Olympic Dam.

Summary of the Municipal Council of Roxby Downs' financial sustainability performance and the Commission's risk assessment

The 'heat map' diagram below summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators[14] and the level of cost control and affordability risk identified for the Council over time.

7 Roxby Council advised that it did not prepare a LTFP 2022-32 because of the uncertainty surrounding the Olympic Dam Resource Development Strategy and the component known as the Brownfield Expansion (BFX) Project, which would have had significant implications for the future of the Town of Roxby Downs. As an alternative to the LTFP 2022-32 data, Roxby Council provided the Commission with estimates based upon the average values of the data contained in the LTFP 2021-31 for the purpose of this analysis.

8 Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

9 The Council's estimates for the 2022-23 financial year, relied upon at the time of preparing this advice, were un-audited.

10 The Commission has estimated a mid-range long-term inflation rate of 2.5 percent, while Roxby Council has used the higher value of 3.0 percent long-term.

11 Based on the estimated number of rateable properties in the 2023-24 LTFP.

12 The Municipal Deficit is defined as the net cost of operating the Council less the results of Roxby Power and Roxby Water. The requirements for the mutual deficit contribution by BHP and the State Government is specified in the Roxby Downs (Indenture Ratification) Act, and the intention is to cover the shortfall in revenue to cover expenditure.

13 The Municipal unit's operations are subsidised by income from the Water and Electricity units' operations.

14 LGA SA Financial Indicators Paper.

Financial sustainability indicators:	Last 10 years from 2012-13 (Actual performance)		2022-23 estimate	Next 10 years from 2023-24 (Council forecasts)	
Operating surplus ratio (target 0-10%)	Volatile and below target--->	Above target ---------->		Above target ----->	Below target ---------->
Net financial liabilities ratio (target 0-100%)	Below lower target ---------->			Below lower target ---------->	
Asset renewal funding ratio (target 90-110%)	Volatile and below target ---------->		Within target range	Volatile with average above upper target ---------->	
Identified Risks:					
Cost control risk	Increases in costs below inflation ---------->			Above forecast inflation ---------->	
Affordability risk	Rates per property increases above inflation (3.2 percent average vs 2.0 average CPI) ---------->			Rates per property above forecast inflation (4 percent per annum vs forecast average CPI 2.6 percent --------->	

Ratio outside suggested LGA target range or higher risk

Ratio close to suggested LGA target range or medium risk

Ratio within suggested LGA target range or lower risk

B Material plan amendments in 2023-24

The Council advised the Commission that it did not review its LTFP during 2022-23[15] and that the last LTFP produced before the 2023-24 LTFP was the 2021-22 LTFP. Consequently, the Council provided the Commission with data for this analysis by calculating a proxy for the 2022-23 LTFP based upon the overlapping eight years of data through to 2030-31, which is used in this analysis.

The Council made several amendments to its 2023-24 LTFP relative to its estimates provided for the 2022-23 LTFP, primarily to account for inflation, but also to account for increased grants funding for new projects. The material adjustments to some of its main financial forecasts are listed in the table below (in nominal terms).[16]

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP ($ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP ($ million)	Change in 2023-24 estimates ($ million)	Change in 2023-24 estimates (percent)
Total operating income	180.5	190.8	+10.3	+5.7
Total operating expenses	180.4	190.1	+9.6	+5.3
Operating surplus / (deficit)	0.1	0.7	+0.6	+600.0
Capital expenditure on renewal of assets[17]	10.0	13.8	+3.8	+38.3
Capital expenditure on new and upgraded assets[18]	0	5.1	+5.1	undefined

B.1 Changes to operating performance

The Council budgeted for a higher operating surplus of $0.7 million compared to a surplus of $0.1 million projected in the 2022-23 LTFP.[19] In aggregate, a comparison of the projections for the terms of the current and previous LTFPs[20] (that is, over the overlapping eight-year comparative period to 2031-32 as shown in the table above) indicate the Council's cumulative operating performance is expected to improve by $0.6 million or 0.4 percent. The material changes are attributable to adjustments in income, with rates set to increase in line with the Council's future CPI estimates,[21] and a shift to funding the Council's Municipal and Leisure Services more directly from rates rather than relying upon surplus funds

[15] The Local Government Act 1999 section 122(4)(a) states that a council is required to conduct an annual review of its long-term financial plan.
[16] This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.
[17] The capital expenditure estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).
[18] Footnote 10 applies.
[19] Based on Council estimates for the 2022-23 LTFP data.
[20] Based upon estimates provided by the Council.
[21] See chart on p. 8 of Municipal Council of Roxby Downs – Long-term Financial Plan 2023-33.

from the power and water units.[22] Increases in expenses for materials, contracts and other expenses, depreciation[23] and employee costs is also relevant to note in this regard.

For the 2023-24 budget year, the Council plans to deliver a modest operating surplus of $0.42 million, with total expenses of $18.91 million, with $1.754 million allocated to capital works, and income of $19.33 million, which includes income from rates of $6.24 million (an average residential rate increase per property of 7.1 percent) and user charges of $11.27 million.

Some of the amendments, compared to the 2022-23 notional LTFP, include:

- Rates increases in line with the actual and forecast CPI, where previous increases were low and kept below the CPI for the six years prior to 2022.
- An increasing reliance upon the Municipal and Leisure Services of Council being funded directly from the increase in rates since the 2021-22 LTFP, rather than surplus funds from the Water and Power units being directed towards Municipal services.[24]
- A significant increase in service charges of 15 percent and 13 percent over the next two budget years, contributing to the 17 percent increase in rates incomes, due to a catch up in the new contract for the costs of providing waste collection and disposal services.[25]
- A decline of 21 percent in statutory charges in the 2023-24 LTFP due to little development being undertaken in the area and fewer expiations for animals and parking.
- A decrease in income from user charges of 4 percent, which includes income from Electricity, Water and Sewer and Roxby Link,[26] with a forecast increase in income of only 2 percent in charges over the term of the 2023-24 LTFP.[27]
- An increase in income from grants, subsidies and contributions of 9.2 percent or $0.68 million over the 10 years of the LTFP.[28]

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22 The Council operations are distinguished by business unit, where the Municipal business unit includes those services attributed to a traditional local government operation, including the management of local government infrastructure assets as well as services such as waste collection and dog and cat management; the two other business units are Power and Water, which together with Municipal, provide a consolidated surplus or deficit. Under the Indenture, BHP supplies water and power from the Olympic Dam operations to Roxby Downs, and the Council operates the electricity substation and water purification facilities and manages service provision and billing as Roxby Power and . Both Roxby Power and Roxby Water.
Both Roxby Power and Roxby Water are regulated by ESCOSA under the terms of the Indenture.

23 Depreciation expenses are expected to increase by 11 percent due to the construction of new assets funding programs from LGIPP, BBRG, Office for Sport and Recreation and LRCI.
The adoption of the IAMP has seen improved forecasting and management of the Council's assets.

24 The Council has advised the Commission in its letter dated 29 September 2023 that the change in the 2023-24 LTFP estimates show an adjusted 17 percent increase since the 2021-22 LTFP. See also the 2023 LTFP.

25 See Roxby Council *Annual Business Plan and Budget 2023-24* p 3 and letter from Roxby Council dated 29 September 2023 regarding material changes and the increase in charges in the new waste contract with Veolia.

26 The operations of Roxby Power (and the power distribution authority) and Roxby Water (the water distribution and sewerage authority)) are regulated under the Roxby Downs (Indenture Ratification) Act. Roxby Power does not pay a dividend but is allowed to make provision for future asset replacement, while Roxby Water is required to pay a dividend in addition to provision for future asset replacement. The current Roxby Water dividend is $1.05 million per year.

27 User charges include charges for Roxby Power, Roxby Water and Roxby Leisure.
Income from Roxby Power is forecast to increase by 2 percent per annum from 2025-26 through 2032-33 and income from Water and Sewer by 2 percent per annum from 2024-25 through 2032-33.
Income from Roxby Link is forecast to increase by 6 percent in 2023-24, as income recovers after the drop in usage during COVID-19, with an annual average of 2.4 percent over the forecast period 2023-24 through 2032-33. See chart in Municipal Council of Roxby Downs – Long-term Financial Plan 2023-33 p. 8.

28 The estimate appears conservative, because Commonwealth Financial Assistance Grants increase each year in line with the CPI.

- An increase in investment income of $4.9 million from the funds invested due to higher interest rates over the last 12 months, with moderate interest rate increases forecast to continue over the ten years of the LTFP.
- The separation of reimbursements from other income in the accounts, which are expected to reduce by 24 percent in the 2023-24 LTFP estimates.
- An additional increase in employee costs of $0.16 million or 0.3 percent to attract and retain qualified staff in some technical/specialist areas.[29]
- An increase of 6.6 percent overall in the cost of materials, contracts and other expenses due to competition from BHP in resourcing staff and contractors.
- An increase of 11 percent in depreciation arising from new assets constructed with significant grant funding.[30]
- Substantial increases (38.3 percent) in capital expenditure for the renewal of assets, including asset renewal identified in the Asset Management Plan and supplementary projects identified as requiring renewal.
- Significant increases on new and upgraded assets with available funding for sewer reclaimed water optimisation and stormwater management supplemented by funding provided by BHP for the construction of the new and upgraded assets.
- An overall increase of 1.7 percent in the asset base in the 2023-24 LTFP relative to the previous plan, and a significant increase in total liabilities of 83.9 percent due to increased trade and other payables of 230.4 percent due to expenditure on projects,[31] timing of payments and grant funding received in advance.

The Council's historical and projected operating performance is discussed further in section C.1.

B.2 Indexation adjustments

The Council applied its CPI-based inflation adjustments to its cost and revenue estimates, including indexation based on the December 2022 CPI of 8.6 percent and the March 2023 CPI of 7.9 percent[32] as well as their forecast CPI increases from 2024-25 onwards[33], which sit above the forecast increases for the local government sector used by the Commission.

29 The Council found it difficult to rebuild staff numbers post-COVID, because the rates offered to workers at Olympic Dam are higher than those at Roxby Link. Although the Council has not been able to compete with the remuneration offered elsewhere, it offers other benefits, including flexible working arrangements, diverse work opportunities and the working environment, which appeals to many of its employees.

30 Grant funding for the construction of the assets was received from the Local Government Infrastructure Partnership Program (LGIPP), the Building Better Regions Fund (BBRF), the Office for Sport and Recreation and the Local Roads and Community Infrastructure Program (LRCI program).

31 The major capital projects over the term of the LTFP 2023-24 include power assets transformers and switches at $2.5 million and transport infrastructure assets at $1.8 million, followed by Sewer Reclaimed Water Optimisation at $740k, business system migration at $500k, lighting upgrades at the Sports Precinct at $350k and Indoor Pool upgrades at $250k.

32 ABS CPI Adelaide, all groups, 12 months to December 2022 and March 2023.

33 See table on p 8 of Municipal Council of Roxby Downs – Long-term Financial Plan 2023-33. The Council did not cite a source for their inflation forecasts, which result in a total increase in prices of 46.1 percent over the 10-year period, compared with a total increase in prices of 31 percent for the same period when using the RBA forecasts.
Although the Council clearly labels the price index as 'CPI,' there might be some confusion between the forecast CPI (ie consumer prices) and the Council's forecast increases in income and expenditure, most of which increase at a rate different from the CPI shown in the table.

Although the Council did not increase its rates income when inflation was low over the years 2017-18 through 2020-21,[34] it started to raise rates again after the recent high CPI increases[35] impacted its costs and limited its increase in rates to 7.5 percent in the 2023-24 Annual Business Plan and Budget and also adjusted its planned increases in expenditure with known price increases and planned service delivery levels.[36]

Since income from the larger sources of income, including General Rates,[37] are increasing and since the number of rateable properties is expected to remain constant at 1,881 over the period of the LTFP, the growth in revenue from rates will only arise from the actual rate in the dollar set.

Income from Roxby Link, which contributes to the Municipal unit income, is expected to increase at an average annual rate of 2.44 percent, which is lower than the forecast rate of inflation of 2.6 percent for the forecast period. Although investment income only made a small contribution to total income over the historic period, it contributed 5 percent of total income in 2022-23 due to higher interest rates but is expected to decrease in value over the term of the LTFP to contribute 2.9 percent of income over the period[38] although cash reserves will increase.[39]

The income from the waste charge is expected to increase at a rate higher than inflation in the years 2023-24 through 2025-26 to reflect increases in charges in the new contract with Veolia, and both electricity and water and sewer income is forecast to increase by less than the rate of inflation over the forecast period.[40]

All increases in expenses except for FTEs[41] and some long-term contract provisions[42] are forecast to increase at a rate lower than the CPI.

The three indicators discussed in these sections are specified in the *Local Government (Financial Management) Regulations 2011,* but the Council did not include any financial indicator reports or targets in the LTFP as required by the Regulations.[43]

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34 The Council increased rates for 2022/23 by 4.7 percent, in line with the Adelaide CPI of 4.75 percent for the year to 31 March 2022.

35 The CPI (Adelaide) for the year to 31 March 2023 was 7.9 percent and the Council has projected an increase in general rates income of 7.55 percent in 2023.24, followed by an increase of 6.65 percent in 2024-25. See Municipal Council of Roxby Downs Long-term Financial Plan 2023-33 p 8 for the Council's CPI forecasts over the 10 years of the LTFP and the planned increases in rates income.

36 The proposed construction of new buildings or houses in Roxby Downs is limited due to restrictions around land use. This has implications for the Council, since the natural growth in the number of rateable properties that commonly occurs in local government areas cannot be factored into planning for natural revenue growth.

37 Property valuations, which form the basis for the distribution of the rates burden, increased by 2.58 percent last year, flow through into rates revenue, which is forecast to increase in line with inflation. The number of rateable properties is expected to remain constant over the period at 1,881, which means that all growth in revenue from rates will arise from a combination of the recent increased property valuations and the differential rate.

38 And to contribute only 1.7 percent in 2032-33, the final year of the forecast period.

39 The council has indicated that the cash surpluses are related to funding depreciation through its rates revenue and electricity and water pricing and not having to replace much of its assets for many years.

40 The income from electricity is projected to increase over the 10 years of the LTFP by 2.0 percent each year from 2025-26 onwards and water and sewer by 2.0 percent from2024-25 onwards.

41 The Council's FTE requirements are based upon an assumption of 'business as usual' and will be reviewed if the circumstances of Olympic Dam or the broader Copper SA province change, and Roxby Downs is impacted.

42 The increases applied to other Council charges are varied. The service charge - waste collection for each residential property is being increased in 2023-24 and 2024-25 to cover the increased disposal and transport costs, and although the Council is planning no change to electricity tariffs and solar buy-back or water tariffs (usage) in the short term, these and water supply and sewerage supply charges will continue to be monitored.

43 Under the *Local Government (Financial Management) Regulations 2011* section 5(1)(c), councils are required to use and report the operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio in the annual budget and long-term financial plan. The Council advised the Commission in correspondence following the meeting on 9 November 2023 that this oversight occurred due to the pressures of preparing and adopting the ABP, LTFP and AMP concurrently.

The Commission notes that the Council's stated assumptions in the LTFP are transparent and based on its current review of forecasts.[44] Notwithstanding the need for the Council to endeavour to find savings and reduce any inflationary impact on its community, the Commission found it would be appropriate for it to:

1. **Ensure** that the Council undertakes a review of its Long Term Financial Plan each year as required by the *Local Government Act 1999*.
2. **Continue** to follow the good practice of reviewing its inflation forecasts in the budget and long-term financial plans each year, given the potential for changes in inflationary expectations over the forecast period.
3. **Start** to adopt CPI forecasts that align more closely with the RBA forecasts and the local government sector expectations.
4. **Start** to adopt the good practice of including financial indicator reports in the long-term financial plan, as required by the Regulations, to provide transparency to ratepayers.

B.3 Increase to capital expenditure estimates

Over the 10-year projections in the 2023-24 LTFP, the Council included an increase in capital expenditure of $13.81 million on the renewal of assets, an increase of $3.82 million or 38 percent from the estimated value of the previous LTFP. The 2023-24 LTFP estimates include both asset renewals from the IAMP and expenditure on additional projects that have been identified on the grounds of requiring renewal.

The 2023-24 LTFP also includes an additional $5.08 million on new and upgraded assets, due to BHP providing supplementary grant funding for new and upgraded assets for new initiatives identified in sewer reclaimed water optimisation and stormwater management.

The LTFP includes the IAMP 2023-33 data, which contains the Council's estimates of the remaining useful life of each asset as well as forward estimates for asset replacement[45] and improvement. The IAMP also contains, an Improvement Plan[46] schedule for completion of data quality tasks within the current financial year, which is expected to inform the next IAMP.

The Council's capital expenditure outlook is discussed further in section C.3.

B.4 Changes between 2023-24 LTFP and annual business plan

The Council adopted its 2023/24 Annual Business Plan and Budget on 16 June 2023, and the LTFP 2024-2033[47] on 16 October 2023.

The Commission notes that that the income and expenditure data contained in the 2023-24 LTFP is consistent with the data contained in the Annual Business Plan and Budget prepared in June 2023.

The Commission considers it appropriate that the Council:

5. **Continue** to ensure that the income and expenditure data in the long-term financial plan is consistent with the data in the annual business plan.

[44] The Council did not review its LTFP in 2022-23 and provided the Commission with estimates of the data to undertake this analysis.
[45] The asset data has been collated and entered into the new Assetic system - see Roxby Council Infrastructure and Asset Management Plan (IAMP) 2023-33 p 8.
[46] See IAMP p 27.
[47] The Commission notes that there are no current regulatory requirements that the Council publish its LTFP assumptions with the annual business plan and budget.

C Financial sustainability

C.1 Operating performance

Over the historical period, the Council improved its operating surplus by turning an operating deficit averaging negative $0.78 million from 2012-13 through 2015-16, to a surplus of $1.4 million in 2016-17 and thereafter, by maintaining an average annual surplus of $1.86 million over the last six years of the historical period. This was achieved through increasing income by an average of 1.6 percent per annum above the average rate of inflation, through to 2019-20, and by decreasing expenses by an average of 1 percent per annum, thereby keeping the growth in expenses well below the rate of inflation. This resulted in the operating surplus ratio consistently exceeding the upper threshold of 10% in recent years.

The main source of income over the 2012-13 to 2021-22 was user charges, at over 62 percent of total income, which increased at an annual rate of 1 percent. This is followed by rates, which averaged around 30 percent of total income and increased by an average of 2.8 percent per annum. Over the same period, income from statutory charges declined due to little development being undertaken in the area, and income from expiations for animal and parking also declined. This contributed to a reduction in income from these sources, while the contribution of rates increased.

Meanwhile, the number of rateable properties decreased from 2,051 in 2012-13 to 1,986 in 2021-22, a decrease of 65 properties, or 3.2 percent.[48] As a result the average rates revenue per rateable property increased from an average of $2,122.87 per property to $2,791.54 over this period, an increase of $668.67 or 31.5 percent.

Despite the decline in rateable properties over this period, expenses per rateable property decreased by $458 or 5.22 percent over the entire historical period, which is below historical inflation. This occurred because the rate of decrease in expenses offset that in rateable properties, due to declining materials, contracts, and other expenses. Although these were the largest contributor to total expenses, averaging 58 percent over the period, they decreased at an average rate of 4.58 percent per annum. In contrast, employee expenses averaged around 25 percent, and were increasing at an average of 9.35 percent because FTEs nearly doubled, from 27 FTE in 2012-13 to 53 in 2021-22. Over the historic period, depreciation, amortisation, and impairment formed nearly 15 percent of total expenses and increased at an average rate of 3.45 percent per annum. (See chart on page 12).

Looking forward over the Council's 2023-24 LTFP, the historical trends reverse. From being beyond the 10% upper threshold, the Council's operating surplus ratio declines and stays consistently around, or lower than, zero per cent. Rather than declining, total expenses are forecast to increase by an average of 3.63 percent per annum, which sits above the average expected rate of inflation of 2.6 percent for the period based upon the RBA benchmark. Forecast income increases of 2 percent per annum, which is below the average rate of expected inflation, cover some of this.[49] As expenses growth outpaces that of income, the operating surplus ratio breeches the lower limit threshold of zero percent from 2026-27 onwards. Further, as the number of rateable properties is forecast to be stable, both expenses and income per rateable property increase, with expenses per property rising faster than RBA inflation projections. (See chart on page 12).

In terms of the Council's main sources of income, user charges are forecast to increase at 2.1 percent[50] and contribute an average of 57.2 percent to total income over the period. Rates are expected to increase by an average of 4.1 percent per annum, averaging 35.1 percent of income. The Commission

[48] The number of properties at any time is directly related to the scale of BHP operations.

[49] Although the Council has not provided their inflation assumptions for the period 2023-24 through 2032-33, ESCOSA calculated the expected rate of inflation for the period 2023-24 through 2032-33 based upon the RBA projections of 4.2 percent for 2023-24 and 3.7 percent for 2024-25 and 2.5 percent thereafter.

[50] User charges, including electricity and water and sewer charges, are forecast to increase at a rate below expected inflation – see the schedule in Roxby Council LTFP 2023-32 p 8.
Historically, revenue from these units subsidise the operations of the Municipal unit. The provisions of the Indenture Act give the Council to exclusively reticulate and retail power and water within Roxby Downs, in addition to traditional local government rating capacity. See also pp 6 & 7.

notes the Council has been slowly increasing its reliance upon rates, as its proportion of total income reaches 36 percent by 2030-31, in comparison to 27.36 percent in 2012-13.[51]

The Council forecasts that total expenses will increase at an annual average rate of 3.63 percent over the forecast period, which is around 1 percentage point above the forecast average annual rate of inflation. Employee costs are forecast to increase at an average annual rate of 3.76 percent (with no change in FTEs) and are expected to account for around 30 percent of total expenses over the forecast period. Materials, contracts, and other expenses are expected to increase by an average annual rate of 3.8 percent and account for another around 54 percent of total expenses. Depreciation, amortisation, and impairment are close to 17 percent of total expenses [52] and are forecast to increase by an average of 3 percent per annum. (See chart on page 12).

The changing patterns over the forecast period relative to history reflect a change in circumstances for the Council. From the time of its establishment in 1988, Roxby Downs has had an extensive range of facilities and amenities for a town of its size, because it was built to attract and retain staff to work at Olympic Dam and provide the workforce for the city.[53] Historically the Council has provided a very high level of services and infrastructure despite its low population and remote geographical location. The Council, however, is now managing the consequences of expanding services and infrastructure to accommodate an anticipated population increase that did not materialise, which originated from a mining expansion declared in November 2008 and abandoned in 2020. This impacts the financial plans of its three business units (Municipal, Power and Water) and the subsequent management of costs and cross subsidisation between them.[54]

A major part of municipal business is Roxby Link. This provides facilities including a library, theatre, auditoriums, café, childcare facilities, and numerous sporting venues. This contributes most to the operating deficit because these services are provided on a low or no fee basis. The Council intends to conduct service reviews for key Roxby Link areas, including the library and youth services, over the next few years with the intention of reducing the cost of the Municipal business unit to an affordable level.[55]

Despite this, the Commission notes that the Council faces a cost control and affordability challenge if it is to keep services and facilities at broadly existing levels, given a lower rate base than anticipated to finance this. The Council already has in place Municipal Deficit arrangements to the level of $0.6 million. If this remains static and cost escalation becomes harder to constrain, there is a risk the Council will need to increase rates and other forms of charging more than anticipated to keep existing services and infrastructure condition at near current levels. If this is not affordable, some rationalisation of service and infrastructure quality may become necessary. Against such a background, the Commission considers it beneficial for the Council to develop a range of credible options, rather than the single one contained in this LTFP, which is for the Council to consult with its community, BHP, and the State Government.

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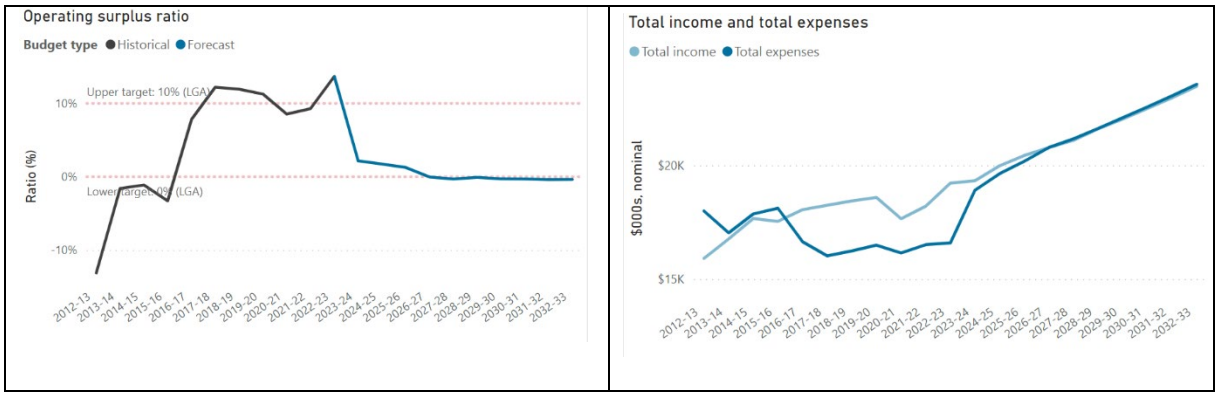
51 Roxby Downs is in a unique position due to its location and its relationship to BHP in that it supplies the town with both power and water, and that the income from those sources subsidises the usual council operations (ie the Municipal unit).

52 See above.

53 Much of the infrastructure has been built by BHP and the State Government jointly or by/ financed by BHP, progressively since 1987/88, and handed over to the Council to manage, which involves repairs and maintenance financed by the Council.
Following this procedure, expenditure on new assets is expected to be funded by grants received for specific purposes from BHP and other sources.

54 The Municipal business unit of Council includes those service attributed to a traditional local government organisation, including the management of infrastructure assets such as transport, drainage, parks and gardens and community facilities and buildings, as well as the delivery of services such as waste collection and dog and cat management. The Municipal unit usually operates at a deficit.

55 The Council advised during the meeting with ESCOSA on 9 November that the Council is undertaking work to ensure the services of the Municipal section are more self- sufficient, and consequently costs have been projected to increase at a lower rate than the CPI to provide services more efficiently.





To ensure that the Council is positioned to achieve cost savings and deliver value for money to its ratepayers, and to potentially contain rate increases to under the rate of inflation, the Commission encourages the Council to:

6. **Start** to introduce cost controls and to monitor the growth in costs where possible, especially those related to Roxby Link and capital expenditure.

7. **Start** to follow the good practice of reporting any actual and projected cost savings in its annual budget and long term financial plan as appropriate to provide evidence of containing the growth in expenses and achieving efficiencies across its operations.

C.2 Net financial liabilities

For nine of the ten years of the historical period, the Council's net financial liabilities ratio remained below the bottom of the target range of zero percent, averaging negative 49.6 percent and reflecting the Council's low level of financial liabilities.

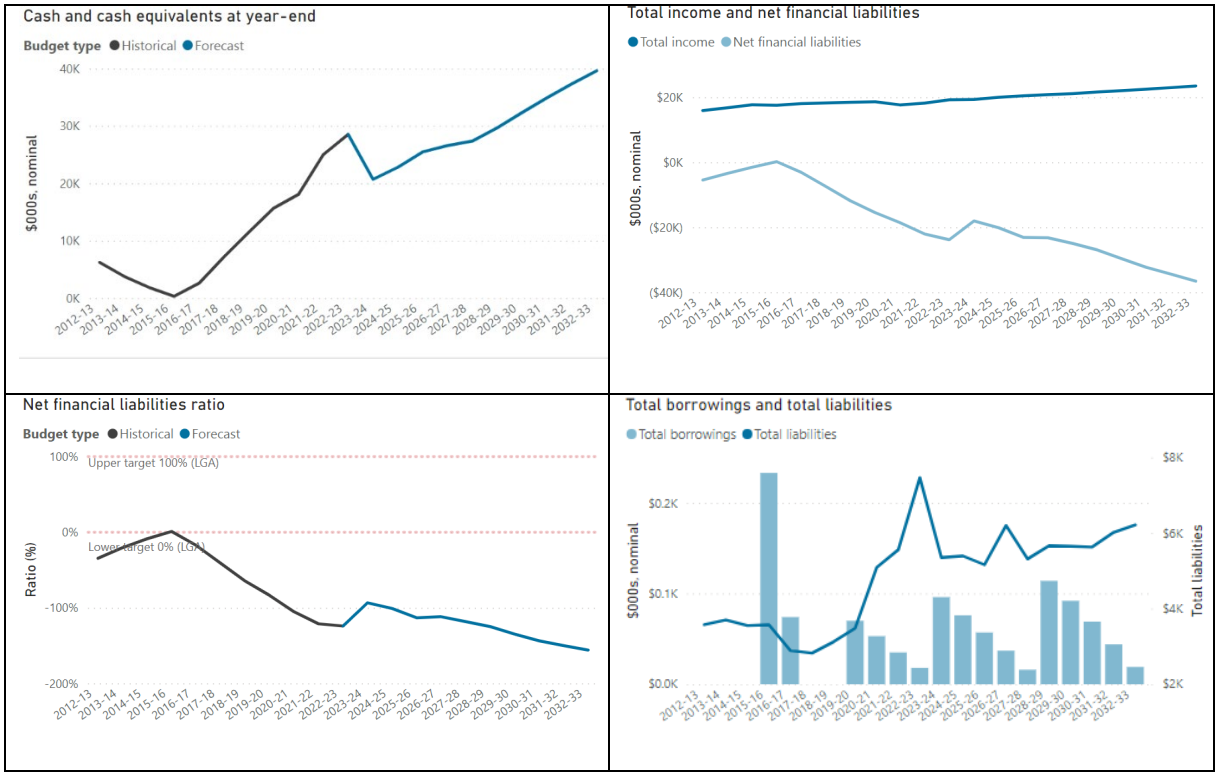
Over the forecast period 2023-24 through 2032-33, it remains negative and well below the zero percent lower target, with an average for the forecast period of negative 124.7 percent. This is due in part, to cash and cash equivalents growing by an average of 4 percent per annum over the forecast period, while liabilities decrease by an average 1 percent per annum.[56] (See chart below bottom right). Overall, the trends in the data (in the chart below left) show that the Council will continue to hold significant and increasing levels of cash throughout the period, even after undertaking planned capital expenditure.

The Council's reason for it holding cash is to cover the risk of replacement of ageing assets on an urgent basis.[57] However, the Commission, notes that the Council's asset stock is relatively new, given Roxby Downs was established in 1988. The Council's level of cash holdings might also lack balance

[56] Although borrowing increases by a low 1.9 percent per annum over the same period.
[57] During the meeting between the Council and the Commission on 9 November 2023.

with respect to inter-generational equity, given the transient nature of the population.[58] While both rates and cash holdings increase each year to fund potential future capital expenditure, the benefits may not be seen by those currently paying rates.[59]

Overall, there is potential merit in the Council reviewing their projected cash requirements with a view to reducing them to restrain their increases in rates. Holding cash results in an opportunity cost to ratepayers, since they are providing the funds which could be used for other purposes that benefit them.



C.3 Asset renewals expenditure

Historically, the Council's actual asset renewal expenditure has not kept pace with its own assessment of actual requirements. This is reflected in its asset renewal funding ratio,[60] based upon comparing actual renewal expenditure to planned renewal expenditure, which averaged 57.7 percent over the 10-year historical period. This is well below the lower target threshold of 90 percent. Over this 10-year period, this ratio has been volatile year-on-year and although there has been an improvement over the last five years, the asset renewal ratio averaged only 90.4 percent (just within the target range – see chart on page 16).

58 And, given the high annual population turnover, many residents paying rates in the current year will not be present to experience the benefits of future projects.

59 The population of Roxby Downs is not only relatively transient, with an annual turnover of 20 percent, but only around 1/3 of the residential properties are occupied by the owners, with an additional 1/3 owned by BHP and the remaining 1/3 by investors, and the population is composed primarily of working age residents.

60 See LGA *SA Financial Indicators Paper*, p. 9. Since 2013, the asset renewal funding ratio has been defined as: Asset Renewal Expenditure ÷ IAMP Renewal Expenditure. The suggested LGA target range for the ratio is 90 to110 percent. Ideally, this ratio will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan.

In terms of meeting the lower target threshold of 90 percent, this worsens if the asset renewal funding ratio is measured using the depreciation approach. Instead of comparing actual historical renewal expenditure with the Council's planned renewal expenditure, it compares it with depreciation (see chart on page 16). The worsening indicates that the annual depreciation charge is consistently higher than the Council's planned renewal expenditure over the 10-year historical period. In this respect, the Commission notes that in the absence of debt and increasing cash and cash equivalents, the Council appears to be holding some of the excess as reserves.

These trends align with the Council noting 'the historic level of asset renewal expenditure was low due to the common age of the infrastructure assets'.[61] That is, many of the council's existing assets have the same age, and consequently each asset group will require repairs and replacement at approximately the same time.[62] This suggests significant renewal lies further in the future because much of the asset stock was established in the late 1980s. As such, the patterns seen in the measures of the asset renewal ratio reflect the Council adopting a strategy of accumulating reserves in the near term, which may or may not be used to fund greater renewals in the future.

The age structure of the Council's asset stock also indicates that the Council should be developing credible strategies to manage the risk of infrastructure assets with a similar age, which could be expected to require more repairs/maintenance and renewal/replacement within the same timeframe in the future. In this respect, the Council has advised that extensive work has been done to verify Council assets and condition ratings together with compiling up-to-date valuations utilising Assetic software.[63] This was expedited though 2022-23, with 'extensive research, modelling, stakeholder consultations, presentations to Audit & Risk Committee, along with BHP and State Government and community engagement'.[64]

The Council has also provided the Commission with the IAMP 2023-2033[65] which is used to guide the planning, construction, maintenance, and operation of each of their asset classes and identify the predicted asset renewal date, along with possible expansion/upgrade of assets.[66] (See chart on page 16). The revaluation schedule in the IAMP indicates that revaluations of assets are scheduled every five years, although the Council has advised that in periods of higher inflation, the Council undertakes a desktop revaluation every two to three years, with condition and useful lives undertaken every five years.

Overall, the above factors indicate that recent asset condition assessments, valuation exercises, and the IAMP should provide a robust indication of implications of the Council's renewal and upgrade/new asset expenditure plans for the LTFP. They also provide an indication of likely future renewals beyond the scope of the LTFP and the Council's funding strategy.

In this respect, the Commission notes the continual decline in the value of the asset stock per rateable property over the LTFP suggests the peak in renewals extends beyond this LTFP. This is because the number of rateable properties is static and there is negligible forecast capital expenditure on new/upgraded assets. The Council's has stated its reason for low forecast spend on new/upgraded assets is because 'the current population level to support BHP operations can be accommodated within the existing residential area,'[67] and the infrastructure required for future development will be met by BHP and/or the State Government as per the Indenture Act.[68] (See chart on page 16).

The Commission also notes the intention of the Council to broadly meet its planned renewals expenditure over the LTFP and to maintain a depreciation charge higher than planned renewal

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61 See Roxby Council *IAMP 2023-2033* p 6.

62 Under the terms of the Indenture, the Partner (BHP) builds the assets and then hands them over to the Council to manage, which includes being responsible for repairs and maintenance.

63 A software package designed for asset management, including asset maintenance and planning activities.

64 As explained by the Council in discussions and communications in November 2023.

65 Roxby Council *Infrastructure and Asset Management Plan 2023-2033* (IAMP).

66 The IAMP covers 8 groups of assets, including transport, water, wastewater, stormwater, power, buildings and other structures, parks and gardens, and plant and equipment, with a replacement value of $174 million and annual depreciation of $3 million.

67 Municipal Council of Roxby Downs *LTFP 2023-32* p13.

68 See Municipal Council of Roxby Downs IAMP 2023-32 pp 12 & 13 The council anticipates an annual increase in population of 1.25 percent (or 50 new residents) per annum with an associated increase in repairs and maintenance costs.

expenditure needs. This results in the forecast asset renewal ratio, using the depreciation method, being consistently below the lower threshold target of 90% over the LTFP, with the opposite holding for the asset renewal ratio measure using planned renewal expenditure. The implication of this, alongside the continuation of low to zero debt and negligible capital expenditure on new/upgraded assets, is the increasing cash reserves noted in the previous section on net financial liabilities.

In part, the Council's reasoning for holding ever increasing reserves is that while it is relatively easy to conduct spot checks on the condition of above-ground assets, the Council has significant assets underground, including the electricity assets, that also require monitoring. The Council has advised the Commission that it is concerned that urgent asset renewal might be required at scale and at considerable cost in the future.

The Commission also observes the considerable practical difficulties and logistical challenges in seeking to renew or replace a substantial proportion of the asset stock simultaneously. Given this, there is a need to place sufficient weight on this factor, alongside funding. In this respect, there may be benefit in the Council considering whether adopting a longer-term more staggered approach to renewal is less disruptive for the community, and more manageable for the Council.

Additionally, the Commission considers there may be benefit in the Council reviewing any misalignment in the asset lives used to calculate depreciation and those used in the IAMP, with a view to creating more parity. Based upon the information provided in the approved plans and data submitted by the Council, summarised in Section A, renewal expenditure appears significantly less than implied by the depreciation charge. This suggests the asset lives between the two are potentially misaligned, with those being used for depreciation purposes potentially being lower.

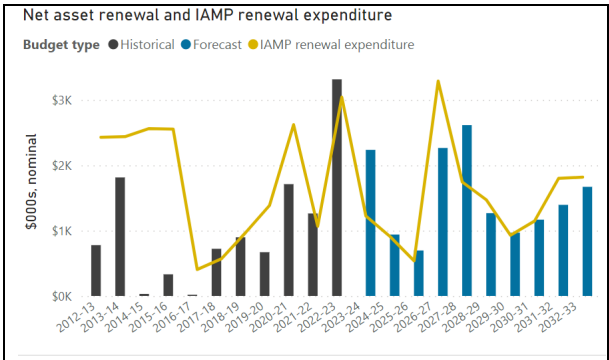
At the same time, however, the Commission also acknowledges the value of the Council's recent work in understanding asset condition, life and value that underpins future renewal expenditure (and depreciation). The Commission also notes the Council has recently advised[69] that it is planning to develop asset renewal plans using the predicting tool in the Assetic software. The Commission understands that the Council expects this to ensure the alignment of useful lives of the Council's assets across the IAMP and depreciation schedules.

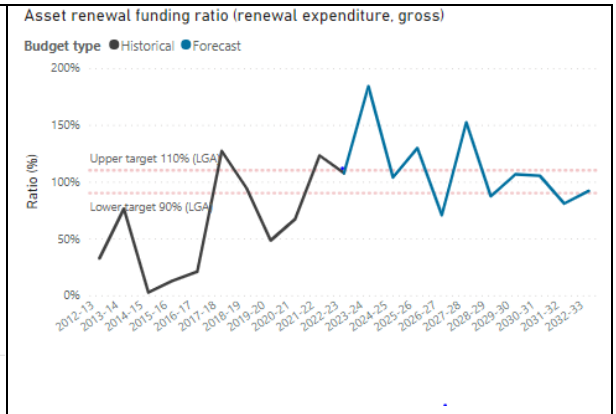
While the Commission considers this to be a positive step, how it might develop is of course not yet known. As such, the Commission considers it prudent to review progress once the approach becomes more embedded in the Council's processes, strategic planning, and implementation, including consideration of any impact on rates.

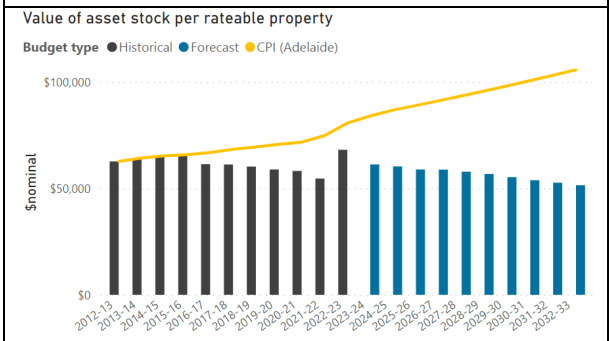
Overall, the Commission considers that it would be appropriate that the Council:

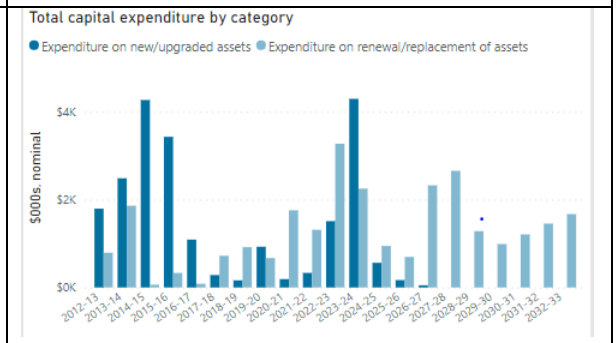
8. **Continue** to review and update its asset valuations and depreciation schedules regularly to achieve best practice by ensuring they reflect current values and asset life.
9. **Ensure** that its IAMP is updated for each asset group and that the timing of planned asset renewals/replacements is consistent with the remaining useful lives of existing assets. This data should be incorporated into the annual budget and LTFP.
10. **Consider** whether it has given sufficient weight to the logistical and practical challenges in seeking to renew a large proportion of the asset stock simultaneously, as well as considering alternative strategies which are longer term and enable a more staggered renewal profile.

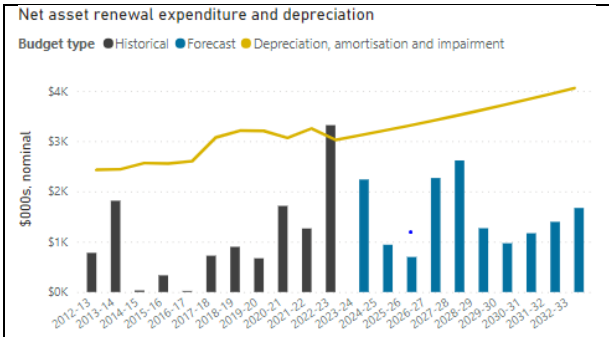
[69] In communications dated 13 February 2024.

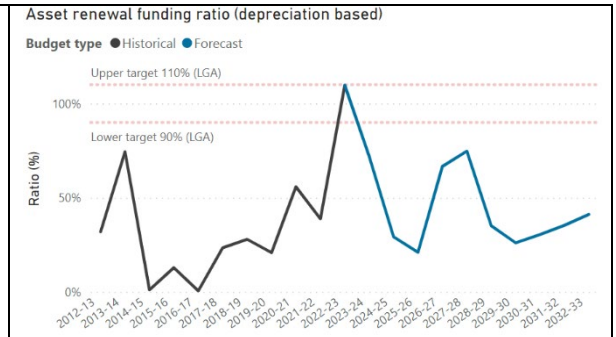

Net asset renewal and IAMP renewal expenditure
Budget type Historical Forecast IAMP renewal expenditure
$000s, nominal
$3K
$2K
$1K
$0K
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33


Asset renewal funding ratio (renewal expenditure, gross)
Budget type Historical Forecast
Ratio (%)
200%
150%
100%
50%
0%
Upper target 110% (LGA)
Lower target 90% (LGA)
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33


Value of asset stock per rateable property
Budget type Historical Forecast CPI (Adelaide)
$nominal
$100,000
$50,000
$0
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33


Total capital expenditure by category
Expenditure on new/upgraded assets Expenditure on renewal/replacement of assets
$000s, nominal
$4K
$2K
$0K
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33


Net asset renewal expenditure and depreciation
Budget type Historical Forecast Depreciation, amortisation and impairment
$000s, nominal
$4K
$3K
$2K
$1K
$0K
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33


Asset renewal funding ratio (depreciation based)
Budget type Historical Forecast
Ratio (%)
Upper target 110% (LGA)
100%
Lower target 90% (LGA)
50%
0%
2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26 2026-27 2027-28 2028-29 2029-30 2030-31 2031-32 2032-33

D Current and projected rate levels

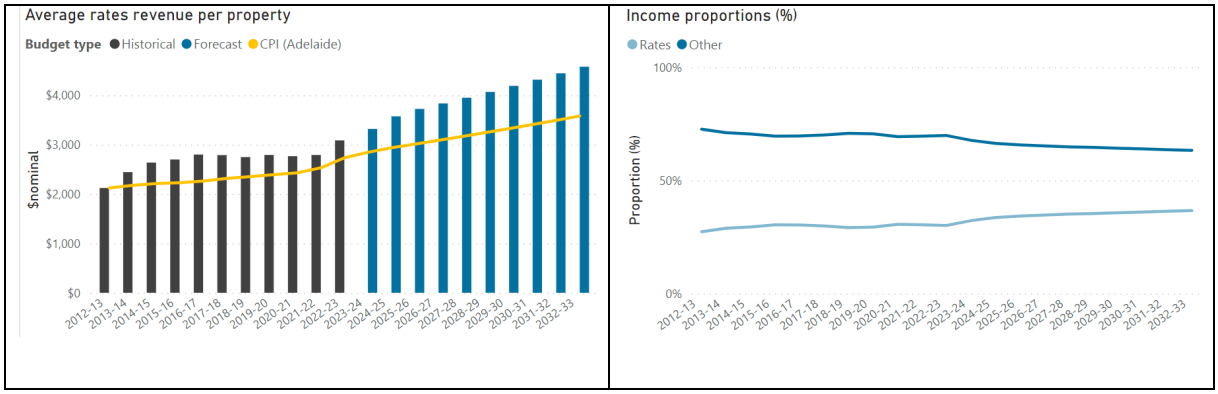
D.1 Historical rates growth

Rates are the Council's second largest source of income and contribute around half as much income as user charges, which are the Council's largest source of income. The Council's rate revenue grew by an average annual rate of 2.8 percent over the 10-year historic period, slightly above the average annual inflation rate of 2.6 percent per annum.

Over the same period, the number of rateable properties decreased by 3.2 percent from 2,051 in 2012-13 to 1,986 in 2021-22, a decline of 0.35 percent per annum. The Council's rate revenue per property grew by an average of 3.2 percent per annum over the 10-year historic period 2012-13 through 2021-22, or an average of $2,659.13 per rateable property, which is $356.12 or 62 percent or above the inflation-adjusted average rates per property by the end of the historic period. (See chart below left).

The Commission notes that the Council has the highest residential rates per property in South Australia, and that rates are nearly 44 percent higher than the State average.[70] While it can be argued that Roxby Downs residents have a greater capacity to pay this level of rates because the town's SEIFA ranking is 59 out of 71 (for the State), which indicates that average incomes in Roxby Downs are above the State average, this alone, cannot explain the historical high level of rates.

As noted previously, the council is now managing the consequence of expanding services and infrastructure to accommodate an anticipated population increase that did not materialise. Also, the council provides a very high level of services and infrastructure, despite its low population and remote geographical location. Providing this with limited scale means that the Council is unsustainable without access to the Municipal Deficit funding and a high-rate burden on the community. This will not change without service rationalisation and a lowering of infrastructure condition.



D.2 Proposed 2023-24 rate increases

The Council has budgeted for an increase in total rates income of 7.64 percent in 2023-24, which results in an average rate increase of 7.55 percent or $232.23 per property for its existing ratepayers,[71] in line with inflation. This is higher than its average historical rates of increase at 3.21 percent per rateable

[70] Based on total residential rates excluding CWMS rates per rateable residential property for each council in South Australia as shown in SA Local Grants Commission Excel spreadsheet Report 6 – Council Ratings arrangements for 2021-22 Financial Year.
See also Councils in Focus rates data for 2020 available at Municipal Council of Roxby Downs | Councils in Focus. General rates for 2020 were reported as $2.31k net per property, compared to $1.73k for the similar council average and $1.81k per property for the state average.

[71] See Municipal Council of Roxby Downs – Long-term Financial Plan 2023-33 p 8 and data in its Excel template (with the 2023-24 forecasts) provided to the Commission.
The Grants Commission database lists residential rates as $2,391 for 2021-22, which includes the waste collection and Landscape Levy.

property and is the result in a change in the Council's budgetary approach to increasing rates income in line with inflation, rather than under the rate of inflation.

The Council has factored in a negligible growth in rateable properties a growth of rateable properties (0.1 percent from 2022-23). In addition to rates income, which accounts for just over 32 percent of income in 2023-24, user charges contribute over 58 percent of income, and grants and subsidies contribute nearly 4 percent.

D.3 Projected further rate increases

Over the years of the LTFP 2023-24 through 2032-33, the Council is projecting average rate increases consistent with the RBA targeted inflation for the first three years, and from 2026-27 onwards, at 3 percent per annum, which is higher than the long-term expected inflation. This delivers an annual average of 3.9 percent per annum for the period, or the forecast CPI plus 0.7 percent per annum.[72]

No growth in rateable properties is expected and total rates revenue per property is forecast to increase from an average of $3,086.75 per rateable property in 2022-23 to $4,579.48 in 2032-33, an increase of $1492.73 or 48.4 percent above the average rates per rateable property at the start of the 10-year forecast period. In consequence, the percentage of Council's total income contributions from ratepayers is projected to grow from a historical average of 29.6 percent to an average of around 35 percent over the forecast period. (See chart on page 18).

D.4 Affordability risk

Affordability risk among the community for these further rate increases appears to be moderate, on balance, when considering:

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Municipal Council of Roxby Downs area,[73]
- the current high average rates (across most ratepayers),
- the Council's planned increases in rates of around 3.0 percent per annum over the forecast period, which sits above average expected inflation, [74] and
- the potential for additional revenue to be received from the State Government and BHP as subsidies to cover any operating deficits.

However, as the current economic environment is putting more pressure on most communities' capacity to pay for further rate increases, including those of the Council, the Commission considers it would be appropriate for the Council to:

11. Consider limiting future increases in rates to below expected inflation to reduce both the affordability risk and intergenerational burden risk, while pursuing cost-savings initiatives to ensure expenses are controlled over the long-term.

[72] The Council based its CPI forecasts on the RBA forecast table – February 2023 ie 6.7 percent for June 2023, 3.6 percent for June 2024 and 3.0 percent for June 2025 through June 2032, whereas the Commission has applied a forecast of 2.5 percent (at the middle of the 2-3 percent RBA target range) from June 2026 onwards.

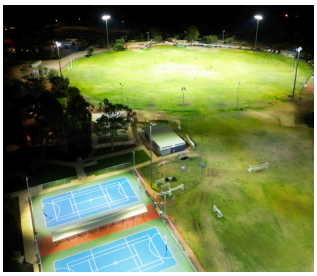
[73] Roxby Downs Council area is ranked 59 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001 percent20- percent20lga percent20indexes.xls&2033.0.55.001&Data percent20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest.

[74] The forecast of an average 3.0 percent sits above the Commission's forecast inflation of 2.6 percent per annum for the period.



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2024-2025











OUR TOWN, OUR COMMUNITY, OUR BUDGET.

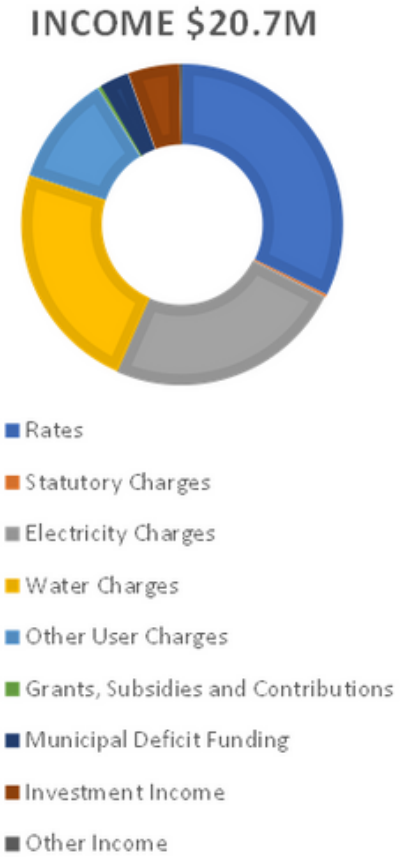
HOW WILL COUNCIL FUND THE ANNUAL BUSINESS PLAN

The Annual Business Plan produces an operating deficit of $969,556 resulting from costs incurred in the ERP upgrade project, and cost indexation and revaluation of assets resulting in a high depreciation cost.

OPERATING INCOME

To deliver the projects and ongoing services outlined within this Plan, Council raises income from various sources, including state and federal government grants and rates.

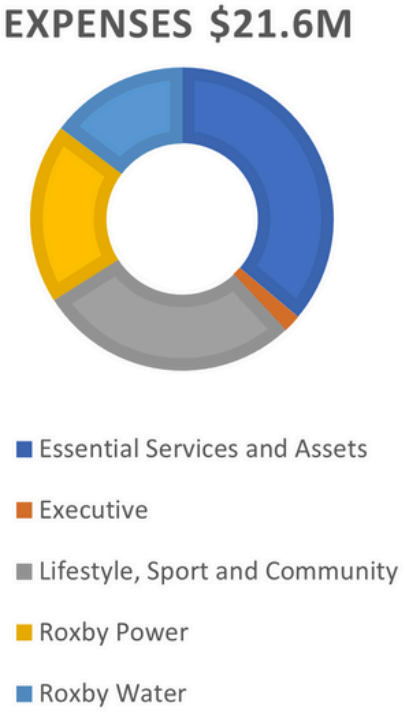
Income Sources	$'000
Rates	6,665
Statutory Charges	52
Electricity Charges	5,001
Water Charges	4,844
Other User Charges	2,316
Grants, Subsidies and Contributions	89
Municipal Deficit Funding	600
Investment Income	1,065
Other Income	74



EXPENSES

The cost to Council to deliver services at their current levels is $21.6M. Across the different Council functions, Council spends $5.7M on employing staff. It also incurs over $3.8M in depreciation to recognise the annual consumption of its large network of infrastructure assets.

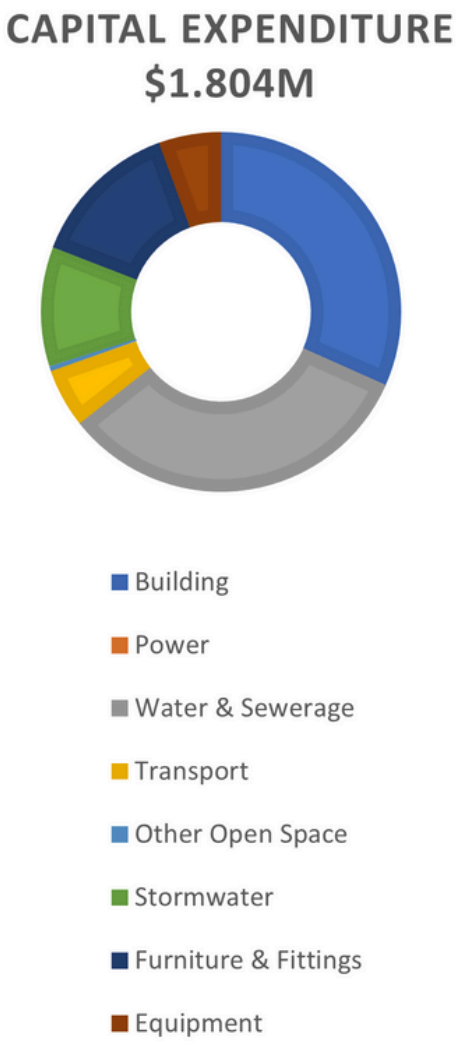
Departmental Expenditure	$'000
Essential Services and Assets	7,834
Executive	413
Lifestyle, Sport and Community	6,057
Roxby Power	4,173
Roxby Water	3,196



CAPITAL EXPENDITURE

$1.204M will be spent on renewing and replacing assets. $0.6M will also be spent on new or upgraded assets providing additional services and benefits to the community.

Capital Expenditure	$'000
Buildings and other structures	571
Power	1
Water and Sewerage	592
Transport	96
Other Open Space	8
Stormwater	194
Furniture & Fittings	245
Equipment	100





SETTING OF RATES AND CHARGES

In deciding how much rate revenue we need to raise for the financial year, we consider several factors including the cost of delivering services to the community and our future asset renewal and replacement requirements. We also allow for the current economic climate, community expectations and ensuring we fulfill all our statutory obligations.

GENERAL RATES

Council is proposing to increase its general rate revenue by 4.8%, the December 2023 Adelaide CPI was 4.8%. This will raise a total of $5,682,892 compared to $5,419,961 in the previous financial year.

We believe this level of rate income will ensure our long-term financial sustainability, while being fiscally responsible in the short-term.

MAXIMUM INCREASE

Council will review the maximum increase once valuations have been received from the Valuer General. It applies to the general rate for residential ratepayers if the property is their principal place of residence. It does not apply if there has been development or a change in use from the previous year.

DIFFERENTIAL GENERAL RATES

As in previous years Council has opted to differentiate the rates charged by different land use. It does so on the basis that some land uses impact more on the level of services used compared to others.

Land Use	Proposed Rate in Dollar	Rates to be Collected $
Residential	0.006301	4,005,166
Commercial Shop	0.018903	231,081
Commercial Office	0.023860	136,662
Commercial Other	0.021638	832,065
Industry Light	0.014870	54,078
Industry Other	0.010440	78,087
Vacant	0.019786	195,522
Other	0.008821	150,233

FIXED CHARGE

Council considers it appropriate that all rateable properties make a minimum contribution to the cost of Council's activities.
With a fixed charge of $800 Council will raise $1,498,400 (26% of general rate revenue).

RATE REBATES

Council provides rates rebates in accordance with Section 10(1)(5) of the *Local Government Act 1999*. Council regularly reviews discretionary rate rebates.

AVERAGE RATE

The average rate is calculated by dividing the total general rates payable by the number of properties for each land use.

Land Use	Average Rate / Assessment	Rates to be Collected	Change from last year
Residential	2,312	1,732	4.9%
Commercial Shop	8,253	28	4.8%
Commercial Office	8,541	16	4.8%
Commercial Other	19,811	42	4.8%
Industry Light	7,725	7	4.8%
Industry Other	9,761	8	4.8%
Vacant	5,751	34	4.8%
Other	10,016	15	4.8%

BUSINESS IMPACT STATEMENT

Council considers the impact of rates on all businesses in the Council area. In considering the impact, we have assessed the financial impact on local businesses of the current and forecast economic climate, the operating and capital projects and new programs for the coming year that will principally benefit industry and business development, valuation changes and Council's ability to provide appropriate local stimulus to businesses through its annual rating.

FURTHER INFORMATION

Further information concerning Council Rating Concessions, Rebates, Capping Rebates and provisions for rate payers facing hardship can be found in Appendix 1.

SERVICE CHARGE - WASTE COLLECTION

The full cost of operating and maintaining a waste collection service is recovered through a service charge to each residential property. For 23/24, the cost of this charge was $567.50. In 24/25, Council proposes that the service charge for waste collection will be increased by 17.5%, equating to $666.81 per annum. Council will collect $1,154,915 from the service charge. This increase in the cost of the annual service charge is a result of increased disposal and transport costs for waste generated at Roxby Downs.

REGIONAL LANDSCAPE LEVY

The Regional Landscape Levy is a State Government tax imposed under the *Landscape South Australia Act 2019*. Council is obliged to collect the levy on behalf of the SA Arid Lands Management Board. The levy is based on a fixed charge by land use type and is shown as a separate charge on the rate notice. The rates proposed for 2024/25 are $46.90 for Residential/Vacant/Other and $93.80 for Commercial/Industrial land use types. The Regional Landscape Levy will raise $93,002.

METHOD USED TO VALUE LAND

Council uses capital value as the basis for valuing land within the Council area. Council considers that it provides the fairest method of distributing the rate burden across all rate payers and is a good indicator of wealth.

ADOPTION OF VALUATION

The Council has adopted the valuations made by the Valuer-General. Anyone dissatisfied with the valuation may object to the Valuer General in writing within 60 days of receiving the notice of the valuation, explaining the basis for the objection. The Council has no role in the process.

It is important to note that the lodgement of an objection does not change the due date for payment of rates.

The total property valuations (excluding non-rateable) provided by the State Valuation Office as of 30 June 2023 was $498,408,158. The valuations received from the State Valuation Office as at 17 June were $503,546,167.

POWER AND WATER CHARGES

The income generated from the sale of power and water is difficult to predict accurately in the context of seasonal variability and volume demand fluctuations. Council attempts to predict and budget based on broad assumptions and the analysis of actual usage patterns; however, key drivers of future demand such as population and temperature are subject to uncertainty.

We are planning on a 4.8% increase to electricity tariffs and no change to the solar buy-back rate, with total expected revenue for Roxby Power being $5M.

Similarly, there will also be a 4.8% increase to water tariffs (usage), water supply and sewerage supply charges, with total expected revenue for Roxby Water being $4.844M.

APPENDIX 1 - RATING POLICY EXPLAINED

Why are rates in Roxby Downs comparatively higher than those in metropolitan Councils?

Due to restrictions around land use, there has been no proposed construction of new buildings or houses in Roxby Downs. This has implications for Council as natural growth in the number of rateable properties, which commonly occurs in other local government areas, cannot be factored into planning for natural revenue growth.

The cost of delivering high quality services in a remote area is also significantly higher and there is less availability of services.

How often does Roxby Council increase its rates?

As part of Council's long-term commitment to sustainability we have proposed that rates be increased by 4.8%.

Last financial year Council also increased rates by 7.5% in line with Adelaide CPI of 7.8% for the year to March 31, 2023.

When are my rates due?

Annual rates can be paid in full at the first instalment in September or in four equal instalments due in September, December, March and June. The outstanding balance can be paid in full at any time. Council will send out instalment notices to ratepayers, advising them of their next instalment due date at least 30 days prior to the due date. Council is also now sending out reminders in the form of SMS texts for all accounts that are overdue. Council provides a range of payment options.

Instalment Due Dates

- Instalment 1 – 16 September 2024
- Instalment 2 – 16 December 2024
- Instalment 3 – 17 March 2025
- Instalment 4 – 16 June 2025

What happens if I pay my rates after the due date?

The *Local Government Act 1999* requires that Councils impose a penalty of 2% on any payment for rates, whether instalment or otherwise, that is received late.

The purpose of this penalty is to:

- act as a deterrent to ratepayers who might otherwise fail to pay their rates on time.
- allow Councils to recover the administrative cost of following up unpaid rates.
- cover any interest cost the Council may incur because it has not received the rates on time.

Rates remaining unpaid will be charged interest each month, set each year in accordance with Section 181(8)(c) of the Act. Council may at its discretion remit penalties for late payment of rates where ratepayers can demonstrate hardship (refer to the Roxby Council Municipal Rates Hardship Policy on Council's website). Council issues an overdue notice for payment of rates unpaid by the due date. Should rates remain unpaid more than 21 days after the issue of the overdue notice, the Council may refer the debt to a debt collection agency. The debt collection agency charges collection fees that are recoverable from the ratepayer. When the Council receives a payment in respect of overdue rates, the Council applies the money received in accordance with the sequence prescribed in Section 183 of the Act.

The prescribed sequence is:

1. Satisfying any costs awarded in connection with court proceedings.
2. Satisfying any interest costs.
3. Paying any fines imposed.
4. Payment of rates, in chronological order (starting with the oldest amount owing).

Do penalties apply to outstanding rates?

Penalties do apply to outstanding rates. Any rate payer who may experience difficulty with meeting the standard payment requirements or is planning an extended absence at the time rates are due, is encouraged to contact our Rates Officer on 8671 0010 to discuss alternative payment arrangements.

What if I'm experiencing hardship?

If you are concerned about the payment of your Council rates, please contact Council on 8671 0010 to discuss your personal circumstances and organise alternative payment arrangements before the payment is due.

Can I postpone my rates payment if I'm experiencing hardship?

Under Section 182 of the *Local Government Act 1999*, you can apply to postpone your rates if payment would cause you hardship. You need to meet the following criteria:

- That hardship can be proven (such as by providing a statement of income and expenses).
- You agree to pay interest on the amount at the cash advance debenture rate, calculated monthly and published by the Local Government Finance Authority for 1 July each year.
- The property is your principal residence and is the only property you own.
- You have owned the property and used it as your principal residence for a minimum of 1 year.
- You can produce your Pensioner Concession Card from Centrelink or Veterans Affairs, or you can demonstrate that you are a self-funded retiree with a household income of less than $25,000 a year.

We strongly encourage any ratepayer to contact us if they anticipate that they will have difficulty paying rates instalments when they fall due.

Can I postpone my rates if I have a Seniors Card?

Pursuant to Section 182A of the *Local Government Act 1999*, if you hold a State Government Seniors Card, you can apply to postpone part of your Council rates for the current or a future financial year.

The deferred amount will still incur a monthly interest charge, and the accrued debt will become payable when your property is sold or disposed of.
As a South Australian Seniors Card holder, you can only apply for postponement if:

- The property is your principal place of residence.
- No other person other than your spouse or domestic partner has an interest as owner of the property.

Which properties are eligible for a rate rebate?

The *Local Government Act 1999* (the Act) provides that the Council must grant a rebate of Council rates in specified circumstances. The rebates relate to:

- Land used by a not-for-profit community service organisation for specified services (pursuant to Section 161).
- Land containing a church or other building used for public worship and land used solely for religious purposes (pursuant to Section 162).
- Land used for specified educational purposes (pursuant to Section 165).

Who else is eligible for a rebate?

Section 166 of the *Local Government Act 1999* sets out the circumstances in which Council can grant discretionary rebates of up to 100%. Rebates are reviewed and approved by Council on an annual basis.

Maximum Rate Increase Cap

The Council may fix a maximum increase in the general rate charged on any rateable land within its area that constitutes the principal place of residence of a principal ratepayer under Section 153 (3) of the *Local Government Act 1999*. If the Council fixes a maximum increase, it will do so on the application of the property owner for the relevant year ending 30 June provided that:

- the property has been the principal place of residence of the principal ratepayer since at least 1 July of the previous financial year.
- the property has not been subject to a change in land use since 1 July of the previous financial year.
- the property has not been subject to improvements with a value of more than $20,000 since 1 July of the previous financial year.

Enquiries can be made by contacting Roxby Council's Rates Officer on 8671 0010 or by emailing roxby@roxbycouncil.com.au.

What happens if rates are in arrears for more than three years?

Section 184 of the *Local Government Act 1999* provides that a Council may sell any property where the rates have been in arrears for three years or more. The Council is required to notify the owner of its intention to sell the land if payment of the outstanding amount is not received within one month and must provide the owner with details of the outstanding amounts. Except in extraordinary circumstances, the Council enforces the sale of land for arrears of rates.

ROXBY COUNCIL

Rates Notice 2024/2025

1st Instalment Notice

Rates & Charges for period
1 July 2024 to 30 June 2025

Young Vibrant Community
Richardson Place (PO Box 124)
Roxby Downs SA 5725
08 8671 0010
roxby@roxbycouncil.com.au
www.roxbydowns.sa.gov.au
ABN 68 284 130 046

Assessment No	Issue Date
A0001	26/0 /2024
Due Date	**Amount**
16/09/2024	$123.4

XYZ Investments Pty Ltd
PO Box 1234
ROXBY DOWNS SA 5725

Council Rates and Charges shown on this notice are exempt from GST

Property Details			
Property Address	00 Richardson Place, Roxby Downs, SA, 5725		
Legal Description	Lot 123 T12345 CT1234/123	Valuation Number	123456789
Declared Date	30 June 2024	Capital Value	$123,000

Rates and Charges Breakdown		
Balance Brought Forward as at 26/07/2024		$0.00
Rates & Charges for 2024/2025	Rate in the $	
General Rate - Differential - (Land Use) Residential	0.001234 $	$1,234.56
General Rate - Fixed Charge		$123.00
Service Charge - Domestic Waste Collection		$123.00
Other Fees & Charges for 2023/2024		
SA Arid Lands Regional Landscape Levy		$12.34
Rebates, Remissions, Conces ns or Deduc ns		
Rebates/Concessions		-$12.34
TOTAL BALANCE (ll year yment due)		**$1,234.56**

INSTALMENT 1	INSTALMENT 2	INSTALMENT 3	INSTALMENT 4
$12	$123.00	$123.00	$123.00
Pay By: 16/09/2024	Pay By: 16/12/2024	Pay By: 17/03/2025	Pay By: 16/06/2025

sample only

*The above is an example of Roxby Council's Rates Notice for **illustration purposes only**.*

STATEMENT ON EXPECTED RATE REVENUE

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	2023/24 (as adopted)	2024/25 (estimated)		Change	Comments
General Rates Revenue					
General Rates (existing properties)	$5,420,867	$5,682,892	*(a)*		
General Rates (new properties)			*(b)*		
General Rates (GROSS)	**$5,420,867**	**$5,682,892**	*(c)*		
Less: Mandatory Rebates	($264,774)	($278,364)	*(d)*		
General Rates (NET)	**$5,156,093**	**$5,404,528**	*(e)*	**4.8%**	
		(e)=(c)+(d)			
Other Rates (inc. service charges)					
Regional Landscape Levy	$89,429	$93,003	*(f)*	The Regional Landscape Levy is a State tax, it is **not retained** by council.	
Waste collection	$982,343	$1,154,915	*(g)*	Increased costs to deliver service	
Water supply			*(h)*		
CWMS			*(i)*		
Separate and Special Rates	n/a		*(j)*		
Electricity Supply			*(k)*		
	$6,227,865	$6,652,446			
Less: Discretionary Rebates	($9,379)	($8,297)	*(l)*		
Expected Total Rates Revenue	**$6,129,057**	**$6,551,146**	*(m)*	**6.9%**	Excluding the Regional Landscape Levy and minus Mandatory & Discretionary Rebates.
		(m)=(e)+(g)+(h)+(i)+(j)+(k)+(l)			

Estimated growth in number of rateable properties

Number of rateable properties	**1,881**	**1,882**	*(n)*	**0.1%**
	Actual	*Estimate*		

'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.

Estimated average General Rates per rateable property

Average per rateable property	**$2,882**	**$3,020**	*(o)*	**4.8%**
		(o)=(c)/(n)		

Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall

Notes

(d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:

Health Services - 100 per cent	Religious purposes - 100 per cent	Royal Zoological Society of SA - 100 per cent
Community Services - 75 per cent	Public Cemeteries - 100 per cent	Educational purposes - 75 per cent

The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(e) Presented as required by the *Local Government (Financial Management) Regulations 2011* reg 6(1)(ea)

Please Note: The percentage figure in *(e)* relates to the change in the total amount of General Rates revenue to be collected from all rateable properties, not from individual rateable properties (ie. individual rates will not necessarily change by this figure).

(f) Councils are required under the *Landscape South Australia Act 2019* to collect the levy on all rateable properties on behalf of the State Government. The levy helps to fund the operations of regional landscape boards who have responsibility for the management of the State's natural resources.

(i) Community Wastewater Management Systems

(l) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(m) Expected Total Rates Revenue excludes other charges such as penalties for late payment and legal and other costs recovered.

(n) 'Growth' as defined in the *Local Government (Financial Management) Regulations 2011* reg 6(2)

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	Total expected revenue			No. of rateable properties		Average per rateable property				Cents in the $
	2023/24	2024/25	Change	2023/24	2024/25	2023/24	2024/25		Change	2024/25
Land Use (General Rates - GROSS)										
Residential	$3,817,320	**$4,005,166**	4.9%	1731	**1732**	$2,205	$2,312	*(p)*	**$107**	**0.006301**
Commercial - Shop	$220,497	**$231,081**	4.8%	28	**28**	$7,875	$8,253	*(p)*	**$378**	**0.018903**
Commercial - Office	$138,553	**$136,662**	-1.4%	17	**16**	$8,150	$8,541	*(p)*	**$391**	**0.023860**
Commercial - Other	$793,955	**$832,065**	4.8%	42	**42**	$18,904	$19,811	*(p)*	**$907**	**0.021638**
Industry - Light	$51,601	**$54,078**	4.8%	7	**7**	$7,372	$7,725	*(p)*	**$354**	**0.014870**
Industry - Other	$74,510	**$78,087**	4.8%	8	**8**	$9,314	$9,761	*(p)*	**$447**	**0.010440**
Vacant Land	$181,079	**$195,522**	8.0%	33	**34**	$5,487	$5,751	*(p)*	**$263**	**0.019786**
Other	$143,352	**$150,233**	4.8%	15	**15**	$9,557	$10,016	*(p)*	**$459**	**0.008821**
Total Land Use	**$5,420,868**	**$5,682,892**	4.8%	1,881	1,882	**$2,882**	**$3,020**	*(p)*	**$138**	

Fixed Charge

	Total expected revenue			Charge			
	2023/24	2024/25	Change	2023/24	2024/25		Change
Fixed Charge	$1,432,080	**$1,498,400**	4.6%	$765	**$800**	*(q)*	**$35**

This revenue amount is **included** in the General Rates GROSS figure at *(c)*.

Adopted valuation method

Capital Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:
Capital Value – the value of the land and all improvements on the land;
Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or
Annual Value – a valuation of the rental potential of the property.

The Municipal Council of Roxby Downs adopts the Capital Valuation methodology for rating purposes in its area.

Notes

(p) Average per rateable property calculated as General Rates for category, including any fixed charge or minimum rate (if applicable) but excluding any separate rates, *divided* by number of rateable properties within that category in the relevant financial year.

(q) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. Also if two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.

(r) Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable by the ratepayer.

APPENDIX 2 - CONSOLIDATED FINANCIAL STATEMENTS

Budgeted Statement of Comprehensive Income Draft Budget 2024-2025

	2022/23 YTD Audited Actual $	2023/24 Total Original Budget $	2023/24 Budget Forecast $	2024/25 Draft Budget $
INCOME				
Rates	5,799,751	6,242,343	6,242,342	6,665,490
Statutory charges	48,615	54,263	46,407	51,919
User charges	10,904,608	11,269,239	11,683,927	12,160,963
Grants, subsidies and contributions	761,895	167,564	110,131	89,234
Grants, subsidies and contributions - Capital	60,554	-	-	-
Municipal Deficit Funding	600,000	600,000	600,000	600,000
Investment income	961,900	930,912	1,110,912	1,065,000
Reimbursements	68,902	9,650	11,025	11,595
Other income	76,510	55,852	97,881	62,058
Total Income	19,282,735	19,329,823	19,902,625	20,706,258
EXPENSES				
Employee costs (inc oncosts)	4,861,483	5,611,782	5,576,387	5,716,236
Materials, contracts & other expenses	9,871,551	10,187,148	10,866,467	12,529,687
Depreciation	3,024,079	3,112,017	3,575,629	3,826,412
Finance costs	-	-	-	3,479
Productivity Gain				(400,000)
Total Expenses	17,757,113	18,910,947	20,018,483	21,675,813
OPERATING SURPLUS / (DEFICIT)	1,525,622	418,876	(115,858)	(969,555)
Asset Disposal & Fair Value Adjustments	(42,422)	15,000	15,000	-
Amounts specifically received for new or upgraded assets	1,399,942	150,000	4,616,897	-
Physical resources received free of charge	-	-	-	-
NET SURPLUS/(DEFICIT) transferred to Equity Statement	2,883,142	583,876	4,516,039	(969,555)
Other Comprehensive Income				
Changes in revaluation surplus -IPPE	17,790,289	-	-	-
TOTAL COMPREHENSIVE INCOME	20,673,432	583,876	4,516,039	(969,555)

Budget Statement of Financial Position Draft Budget 2024-2025

	2022/23 YTD Audited Actual	2023/24 Total Original Budget	2023/24 Budget Forecast	2024/25 Draft Budget
ASSETS	$	$	$	$
Current Assets				
Cash and cash equivalents	28,215,303	20,699,890	15,803,718	26,296,183
Trade & other receivables	3,112,000	2,716,748	2,638,884	2,810,450
Inventories	28,000	51,406	24,780	63,068
Total Current Assets	31,355,303	23,468,044	18,467,381	29,169,701
Non-current Assets				
Infrastructure, property, plant & equipment	128,089,000	115,276,560	123,312,587	132,960,300
Total Non-Current Assets	128,089,000	115,276,560	123,312,587	132,960,300
TOTAL ASSETS	159,444,302	138,744,604	141,779,968	162,130,001
LIABILITIES				
Current Liabilities				
Trade & other payables	4,938,500	3,408,803	2,664,835	4,090,699
Current Borrowings	17,521	18,620	(1,477)	19,379
Current Provisions	729,995	559,015	565,602	832,133
Total Current Liabilities	5,686,016	3,986,438	3,228,960	4,942,211
Non-current Liabilities				
Non-current Borrowings	416	76,840	(58,525)	57,461
Non-current Provisions	2,442,538	1,288,985	1,277,627	2,339,867
Total Non-current Liabilities	2,442,954	1,365,825	1,219,102	2,397,328
TOTAL LIABILITIES	8,128,970	5,352,263	4,448,062	7,339,539
NET ASSETS	151,315,332	133,392,341	137,331,907	154,790,462
EQUITY				
Accumulated Surplus	37,259,968	37,127,341	41,066,831	40,735,462
Asset Revaluation Reserves	114,055,364	96,265,000	96,265,076	114,055,000
Other Reserves	-	-	-	-
TOTAL EQUITY	151,315,332	133,392,341	137,331,907	154,790,462
	-	-	-	-

Budget Statement of Cash Flows Draft Budget 2024-2025

	2022/23 YTD Audited Actual	2023/24 Total Original Budget	2023/24 Budget Forecast	2024/25 Draft Budget
CASH FLOWS FROM OPERATING ACTIVITIES	$	$	$	$
Receipts				
Rates - general & other	5,789,197	6,221,159	6,242,343	6,650,139
Fees & other charges	49,582	54,097	46,407	51,703
User charges	11,492,440	11,241,068	11,683,927	12,073,124
Grants utilised for operating purposes	1,607,895	843,022	710,131	691,715
Investment receipts	961,900	919,066	1,110,912	1,066,993
Reimbursements	68,902	14,379	11,025	11,535
Other revenues	393,033	57,157	97,881	32,444
Changes in Net Assets		-	-	-
Payments		-	-	-
Employee costs	(4,710,937)	(5,601,412)	(5,576,387)	(5,714,058)
Materials, contracts & other expenses	(9,050,506)	(9,734,832)	(10,866,467)	(11,648,642)
Finance payments	(1,000)	(1,348)	-	(3,479)
Net Cash provided by (or used in) Operating Activities	6,600,506	4,012,356.53	3,459,771	3,211,474
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Amounts specifically for new or upgraded assets	1,399,839	150,000	4,616,897	408,890
Grants utilised for capital purposes	59,554	-		-
Sale of replaced assets	86,363	15,000	15,000	5,000
Other Investing Activity Receipts	-	-	-	-
Payments		-	-	-
Expenditure on renewal/replacement of assets	(717,000)	(1,223,957)	(4,862,960)	(1,204,855)
Expenditure on new/upgraded assets	(4,198,080)	(530,000)	(5,479,618)	(599,000)
Net Cash provided by (or used in) Investing Activities	(3,369,324)	(1,588,957)	(5,710,680)	(1,389,965)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from borrowings	-	-	-	-
Payments				
Repayments of bonds and deposits	-	-	-	-
Repayment of finance lease liabilities	(16,021)	(22,477)	(95,460)	(18,620)
Net Cash provided by (or used in) Financing Activities	(16,021)	(22,477)	(95,460)	(18,620)
NET INCREASE (DECREASE) IN CASH HELD	3,215,161	2,400,922	(2,346,369)	1,802,889
Cash & cash equivalents at beginning of period	25,000,142	18,298,967	18,150,087	24,493,295
Cash & cash equivalents at end of period	28,215,303	20,699,890	15,803,718	26,296,183
	-	0	0	0

Statement of Changes In Equity Draft Budget 2024-2025

	Accumulated Surplus	TOTAL EQUITY
	$	$
2022/23 YTD AUDITED ACTUAL		
Balance at end of previous reporting period	34,379,327	130,644,402
Net Surplus/(Deficit) for Year	2,883,142	2,883,142
Other Comprehensive Income		
Gain on revaluation of infrastructure, property, plant & equipment		17,790,289
Transfers between reserves		
Balance at end of period	37,259,968	151,317,833
2023/24 TOTAL ORIGINAL BUDGET		
Balance at end of previous reporting period	36,543,465	132,808,465
Net Surplus/(Deficit) for Year	583,876	583,876
Other Comprehensive Income		
Gain (loss) on revaluation of infrastructure, property, plant & equipment		-
Transfers between reserves		
Balance at end of period	37,127,341	133,392,341
2023/24 BUDGET FORECAST		
Balance at end of previous reporting period	37,259,968	151,315,332
Net Surplus/(Deficit) for Year	4,516,039	4,516,039
Other Comprehensive Income		
Gain on revaluation of infrastructure, property, plant & equipment		-
Transfers between reserves		
Balance at end of period	41,776,007	155,831,371
2024/25 DRAFT BUDGET		
Balance at end of previous reporting period	155,760,017	155,760,017
Net Surplus/(Deficit) for Year	(969,555)	(969,555)
Other Comprehensive Income		
Gain on revaluation of infrastructure, property, plant & equipment		-
Transfers between reserves		
Balance at end of period	154,790,462	154,790,462
	-	

Budget Uniform Presentation of Finances Draft Budget 2024-2025

	2022/23 YTD Audited Actual	2023/24 Total Original Budget	2023/24 Budget Forecast	2024/25 Draft Budget
	$	$	$	$
Income	19,282,735	19,329,823	19,902,625	20,706,258
less Expenses	17,757,113	18,910,947	20,018,483	21,675,813
Operating Surplus / (Deficit)	1,525,622	418,876	(115,858)	(969,555)
Timing adjustment for grant revenue	108,000			
Adjusted Operating surplus / (deficit)	1,633,622			
Net Outlays on Existing Assets				
Capital Expenditure on renewal and replacement of Existing Assets	(717,000)	(1,223,957)	(4,862,960)	(1,204,855)
Depreciation, Amortisation and Impairment	3,024,079	3,112,017	3,575,629	3,826,412
Proceeds from Sale of Replaced Assets	86,363	(15,000)	(15,000)	5,000
	2,393,442	1,873,060	(1,302,331)	2,626,557
Net Outlays on New and Upgraded Assets				
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	(4,198,080)	(530,000)	(5,479,618)	(599,000)
Amounts received specifically for New and Upgraded Assets	1,399,942	150,000	4,616,897	408,890
Proceeds from Sale of Surplus Assets				
	(2,798,138)	(380,000)	(862,721)	(190,110)
Net Lending / (Borrowing) for Financial Year	1,228,926	1,911,936	(2,280,910)	1,466,892

Budget Financial Indicators Draft Budget 2024-2025

	2022/23 YTD Audited Actual	2023/24 Total Original Budget	2023/24 Budget Forecast	2024/25 Draft Budget
	$	$	$	$
OPERATING SURPLUS RATIO	7.9%	2.17%	-0.58%	-4.68%
Operating Surplus	1,525,622	418,876	(115,858)	(969,555)
Total Operating Income	19,282,735	19,329,823	19,902,625	20,706,258
This ratio expresses the operating surplus as a percentage of total operating revenue.				
UNDERLYING OPERATING SURPLUS RATIO	8.4%	2.17%	-0.58%	-4.68%
Operating Surplus	1,605,000	418,876	(115,858)	(969,555)
Total Operating Income	19,220,000	19,329,823	19,902,625	20,706,258
This ratio expresses the normalised operating surplus as a percentage of total operating revenue.				
NET FINANCIAL LIABILITIES RATIO	-120%	-93.45%	-70.32%	-105.12%
Net Financial Liabilities	(23,198,333)	(18,064,375)	(13,994,540)	(21,767,094)
Total Operating Income	19,282,735	19,329,823	19,902,625	20,706,258
Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.				
ASSET RENEWAL FUNDING RATIO	52%	100.00%	397.31%	100.00%
Net Asset Renewals	631,000	1,223,957	4,862,960	1,204,854
Infrastructure & Asset Management Plan required expenditure	1,224,000	1,223,957	1,223,957	1,204,854
Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.				

SUMMARY BY BUSINESS UNIT

	Municipal Total				Roxby Power				Roxby Water				Total			
	2022/23	2023/24	2023/24	2024/25	2022/23	2023/24	2023/24	2024/25	2022/23	2023/24	2023/24	2024/25	2022/23	2023/24	2023/24	2024/25
	Audited Actual	Original Budget	Forecast	Draft Budget	Audited Actual	Original Budget	Forecast	Draft Budget	Audited Actual	Original Budget	Forecast	Draft Budget	Audited Actual	Original Budget	Forecast	Draft Budget
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
INCOME																
Rates	5,799,751	6,242,343	6,242,343	6,665,490	-	-	-	-	-	-	-	-	5,799,751	6,242,343	6,242,343	6,665,490
Statutory charges	48,615	54,263	46,407	51,919	-	-	-	-	-	-	-	-	48,615	54,263	46,407	51,919
User charges	1,622,633	1,685,739	2,163,427	2,316,746	4,572,151	4,771,500	4,771,500	5,000,532	4,709,824	4,812,000	4,749,000	4,843,686	10,904,608	11,269,239	11,683,927	12,160,964
Municipal Deficit Funding	600,000	600,000	600,000	600,000	-	-	-	-	-	-	-	-	600,000	600,000	600,000	600,000
Grants, subsidies and contributions	761,895	167,564	110,131	89,234	-	-	-	-	-	-	-	-	761,895	167,564	110,131	89,234
Grants, subsidies and contributions - Ca	60,554	-	-	-	-	-	-	-	-	-	-	-	60,554	-	-	-
Investment income	961,900	930,912	1,110,912	1,065,000	-	-	-	-	-	-	-	-	961,900	930,912	1,110,912	1,065,000
Reimbursements	68,902	9,650	11,025	11,594	-	-	-	-	-	-	-	-	68,902	9,650	11,025	11,594
Other income	76,510	55,853	97,881	62,058	-	-	-	-	-	-	-	-	76,510	55,853	97,881	62,058
Total Income	10,000,760	9,746,324	10,382,126	10,862,041	4,572,151	4,771,500	4,771,500	5,000,532	4,709,824	4,812,000	4,749,000	4,843,686	19,282,735	19,329,824	19,902,626	20,706,259
DIRECT EXPENSES																
Employee costs (inc oncosts)	4,544,553	5,029,519	4,994,124	5,116,505	202,814	322,246	322,246	331,913	114,116	260,017	260,017	267,818	4,861,483	5,611,782	5,576,387	5,716,236
Materials, contracts & other expenses	6,927,873	6,839,807	7,508,976	9,178,825	1,511,344	1,757,158	1,744,008	1,810,394	1,432,333	1,590,183	1,613,483	1,540,468	9,871,550	10,187,148	10,866,467	12,529,687
Depreciation	1,640,136	1,684,746	1,783,496	1,953,014	803,421	828,326	984,364	1,013,895	580,521	598,945	807,768	859,502	3,024,078	3,112,017	3,575,628	3,826,411
Finance costs	-	-	-	3,479	-	-	-	-	-	-	-	-	-	-	-	3,479
Productivity Gain				(400,000)		-	-	-		-	-	-	-	-	-	(400,000)
Total Direct Expenses	13,112,562	13,554,072	14,286,596	15,851,823	2,517,579	2,907,730	3,050,618	3,156,202	2,126,970	2,449,145	2,681,268	2,667,788	17,757,111	18,910,947	20,018,482	21,675,813
INTERNAL CHARGES																
Dividend	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)	-	-	-	-	1,050,000	1,050,000	1,050,000	1,050,000	-	-	-	-
Overheads	(995,269)	(1,307,840)	(1,307,840)	(1,545,386)	653,751	717,352	717,352	1,017,034	341,517	590,488	590,488	528,351	(1)	-	-	(1)
Total Internal Charges	(2,045,269)	(2,357,840)	(2,357,840)	(2,595,386)	653,751	717,352	717,352	1,017,034	1,391,517	1,640,488	1,640,488	1,578,351	(1)	-	-	(1)
OPERATING SURPLUS / (DEFICIT)	(1,066,533)	(1,449,908)	(1,546,630)	(2,394,396)	1,400,821	1,146,418	1,003,530	827,296	1,191,337	722,367	427,244	597,547	1,525,625	418,877	(115,856)	(969,553)

APPENDIX 3 - COMMUNITY CONSULTATION

Pursuant to the provisions of Section 123 of the *Local Government Act 1999*, each Local Government Authority is required to develop an Annual Business Plan and Budget for each financial year. Council authorised the release of their draft Annual Business Plan and Budget FY 2024/2025 for a period of community consultation between 9:00am Friday 26 April and 6:30pm Friday 17 May 2024.

During the public consultation period the Draft Annual Business Plan and Budget 2024/2025 was available to the public via the following methods:

- published on Council's website roxbydowns.sa.gov.au;
- available in hard copy format from the following venues:
  - Council Office - 6 Richardson Place, Roxby Downs
  - Community Library - 1/15 Richardson, Place Roxby Downs
  - Roxby Link - 1/15 Richardson Place, Roxby Downs
  - Roxby Downs Community Hub - Richardson Place, Roxby Downs
- advertised through Council's social media platform

Council welcomed community feedback on the draft version of the Annual Business Plan and Budget 2024/2025 ahead of its adoption at the June 2024 Ordinary Meeting.

Community Discussions

Residents and ratepayers were provided with the opportunity to make verbal submissions, discuss the Annual Business Plan and Budget and ask questions at 3 in-person sessions held at various locations withing the municipality.

These were held on:

- Wednesday 1 May 2024 at 10:00am at the Roxby Downs Community Hub on Richardson Place.
- Monday 6 May 2024 at 10:30am, Dunes Café on Richardson Place.
- Wednesday 8 May 2024 at 4:30pm at the Community Library.

Facebook Presentation

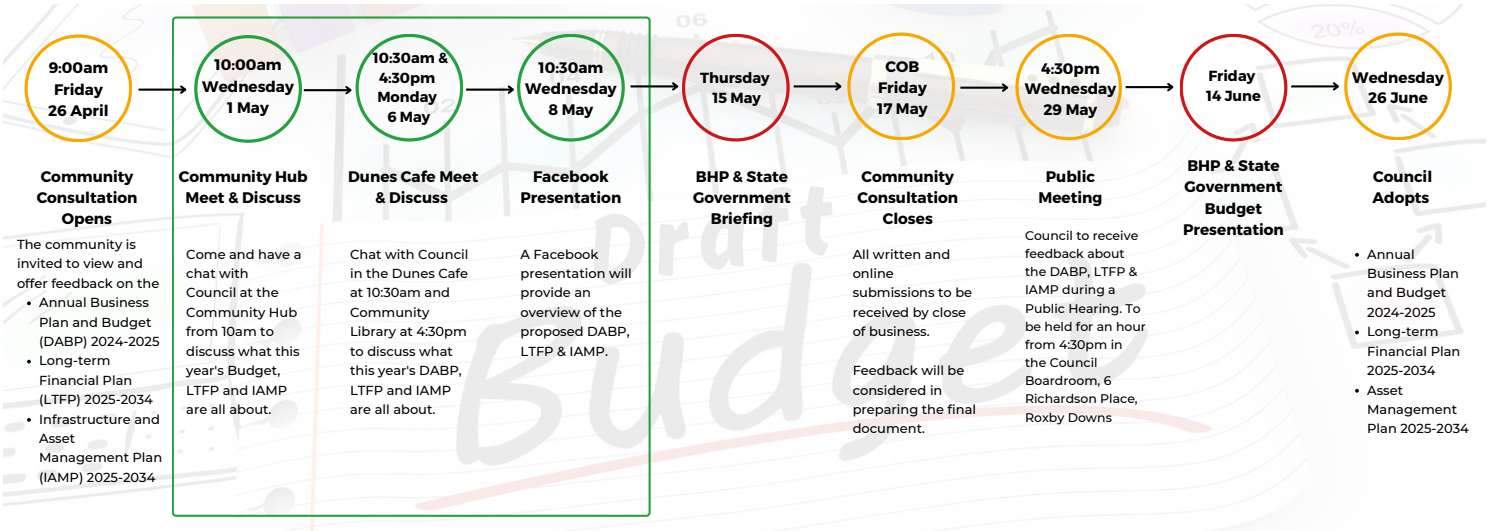
A Facebook Live presentation aired on Wednesday 8 May 2024 at 10:30am, which aimed to provide the community with an overview of Council's proposed Budget for financial year 2024/2025. At the end of the presentation, members of the public were presented with an opportunity to make representations and ask questions.

Written Feedback

Written submissions were invited from members of the public, residents and ratepayers until 6:30pm on Friday 17 May 2024.

Council Meeting

Members of the public, residents and ratepayers are invited to discuss their responses at the Council meeting, held on Wednesday, 29 May 2024 for a period of 1 hour from 4:30pm in the Council Boardroom, 6 Richardson Place Roxby Downs.



ROXBY COUNCIL

VISIT US

6 Richardson Place
Roxby Downs SA 5725

Monday to Friday
9am to 5pm

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